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JULY 2011 – JULY 2012



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ACRONYMS

AI	Administrative Instruction
AmCham	American Chamber of Commerce
BEEP	Business Enabling Environment Program
CRK	Credit Registry of Kosovo
CBK	Central Bank of Kosovo
DB	Doing Business
DEMI	USAID Democratic Effective Municipalities Initiative
ECLO	European Commission Liaison Office
ESTAK	USAID Efficient and Sustainable Tax Administration of Kosovo
EU	European Union
GFSI	USAID Growth and Fiscal Stability Initiative
GoG	Government of Georgia
GoK	Government of Kosovo
KMFAS	USAID Kosovo Ministry of Foreign Affairs Support
IMF	International Monetary Fund
IPAK	Investment Promotion Agency of Kosovo
IPR	Intellectual Property Rights
IS/IT	Information Systems and Information Technology
ITD	Integrated Tariff Database
ITG	International Trade Guide
LID	Legal Information Database
MAS-Q	Metrology, Accreditation, Standards, and Quality
MCI	Municipal Competitiveness Index
MESP	Ministry of Environment and Spatial Planning
MoF	Ministry of Finance
MoJ	Ministry of Justice
MOSR	Municipal Own-Source Revenue
MOU	Memorandum of Understanding
MTI	Ministry of Trade and Industry
OLS	Office of Legal Services (in the Office of the Prime Minister)
OPM	Office of the Prime Minister
PBMP	Performance-Based Monitoring Plan
PR	Project Results
RFP	Request for Proposals
SEAD	USAID Systems for Enforcing Agreements and Decisions Project
SME	Small and Medium Enterprise
SSPF	Strategic Studies and Projects Fund
STTA	Short-term Technical Assistance

TAK	Tax Administration of Kosovo
TPWG	Trade Policy Working Group
UNDP	United Nations Development Program
USG	United States Government
USAID	United States Agency for International Development
WB	World Bank
WBDB	World Bank Doing Business
WTO	World Trade Organization

EXECUTIVE SUMMARY

The Business Enabling Environment Program is an innovative three-year initiative by USAID leveraging the successful methodology applied in other countries to use third party measures of performance to drive cross-cutting reforms, while pursuing holistic strategies taking into account all aspects of the legal environment for economic activity and collaboration with other donors and projects. This report is the second Business Enabling Environment Program (BEEP) Annual Report and describes project activity since from July 2011 through July 2012, the end of the second contract year.

Our second year activities built on the Government of Kosovo (GoK) buy-in achieved in the first year, driving transformational business environment reform that unleashes economic potential and impacts the lives of citizens in Kosovo. Leveraging the GoK's commitment to ambitious reform initiatives through its Economic Vision 2014, this year saw impressive results in areas of business startup, construction permitting, national- and municipal-level transparency, international trade, licensing, regulatory harmonization and rationalization, and credit.

Transformational reform across a country cannot be accomplished alone. USAID|BEEP has forged crucial relationships with collaborative partners in the public and private sectors and the donor community. Champions of business environment proved invaluable in Kosovo's journey to improved economic prosperity, including the Office of the Prime Minister (OPM), the Ministry of Environment and Spatial Planning (MESP), the Ministry of Trade and Industry (MTI), the Central Bank of Kosovo (CBK), and Kosovo Customs. Political willingness to undertake often difficult initiatives remains key to achieving sustained improvement in the business environment.

Because the business environment cuts across so many functional areas, collaboration with other donors and projects is critical. In Year Two, USAID|BEEP partnered with the European Union Small and Medium Enterprise (EU SME) project on a number of initiatives, including work on the framework laws on the Permissive and Inspections Systems. Further, coordination with the USAID Growth and Fiscal Sustainability Initiative (GFSI) and Democratic Effective Municipalities Initiative (DEMI) was leveraged to move forward on municipal collections and property tax reforms. Similarly, enhanced advocacy through business associations and the private sector was achieved through the Project's cooperation with the USAID Kosovo Private Enterprise Program (KPEP)

Municipal ambition to make doing business easier led impressive efforts to transform the business environment at the local level. With USAID|BEEP assistance, municipal administrations undertook vigorous efforts to improve transparency, eliminate unnecessary permits and licenses, and initiate open dialogue. These changes are truly being realized as business responses to the Municipal

Competitiveness Index (MCI) 2012 survey overwhelmingly indicated that the local businesses environment is improving across the country.

To build on this impressive reform momentum, USAID|BEEP partnered with a local subcontractor in Year Two to initiate our Municipal Partnership Program to add seventeen (17) new Municipal Coordinators (MCs). With this addition, the Project is able to provide more tailored service in all municipalities to help drive business environment reforms.

Recognizing the pressing need to reform construction permitting, the Kosovo Assembly adopted the project-sponsored Law on Construction in Year Two. This represents unprecedented change, establishing a business-friendly framework for construction permitting. With proper implementation of the new law, steps, time, and costs for obtaining a construction permit are drastically reduced. The MESP has designated USAID|BEEP as a lead in construction implementation, partnering to achieve the ambitious upcoming work.

The GoK this year established the first-ever regulatory baseline in Kosovo. Resulting from two project-sponsored working sessions to inventory and review all regulations, the OPM abolished over four hundred and forty (440) unnecessary, obsolete, and unnecessary Administrative Instructions (AIs). Accounting for nearly thirty (30) percent of all regulations then in force, this was a notable step towards rationalizing the regulatory regime in Kosovo.

A huge step was taken in Year Two to reduce barriers to trading across borders. In October 2011, Kosovo Customs embraced the Project's recommendation to significantly reduce unnecessary documentation required for import and export transactions. Documents required for export transactions have been reduced from 8 to 2 and for import transactions from 8 to 3. This translates into impressive savings for businesses dealing in trade and incentivizes increased trade activity.

USAID|BEEP achieved the life of project goal of increasing the number of types of users of the credit information system in Year Two. Through CBK adoption of the project-sponsored Regulation on the Credit Registry in February, insurance companies were permitted access to the public credit registry, now joining banks, microfinance institutions, non-banks, and leasing companies. By adding additional credit providers to the credit information system, the availability of credit information increases and facilitates reduced risks to lending.

Highlighted below are some of USAID|BEEP's accomplishments in the second year of operation, together with a summary of the project's progress towards established indicators.

Highlights of Year 2 include:

- Adoption of the Law on Construction, establishing a business-friendly framework for construction permitting
- Elimination of the Tax Administration of Kosovo (TAK) pre-business registration inspection requirement
- Commitment by the OPM to move forward on crucial business environment improvement initiatives, including the Law on Normative Acts (LNA), the Legal Information Database (LID), and the framework Laws on the Permissive System and Inspections
- Abolition of over four hundred and forty (440) unnecessary, obsolete, and illegal Administrative Instructions, establishing the first-ever regulatory baseline in Kosovo
- Impressive improvements in the MCI 2012, demonstrating realized local-level business environment results
- Commitment by twenty-three (23) municipalities to eliminate or suspend business license fees, with nine (9) already implementing
- Reduction in documentary requirements for import and export transactions, reduced from 8 to 3 for import transactions and from 8 to 2 for export
- Elimination of the Customs import/export registration requirement, removing a duplicative registration requirement
- Adoption of the project-sponsored Laws on External Trade and Safeguards and the Amendment to the Customs Code, bringing Kosovo's legal framework for trade closer to international best practice
- Adoption of the new Regulation on the Credit Registry, adding insurance companies as a credit provider permitted to access the credit information system and achieving our project's goal

Indicators of Success:

Success is measured by five Project Results (PRs) covering USAID/BEEP activities in doing business improvement, trade facilitation, and access to credit. The table below describes each of the PRs and their end-of-project targets, their status as of the end of Year Two, and subsequent percentage of the target achieved.

PROJECT RESULTS SUMMARY			
	2011-2012	End of Project PR Target	Percent of Target Achieved
Project Result 1: Percentage Improvement in Underlying Variables of Project-Supported Doing Business Indicators	0**%	20% average total improvement in the combined underlying variables of indicators reflecting project activities in the annual WBDB Report	0%
Project Result 2: The Economic Impact of Reforms	\$119,958,960	\$170,000,000	70.5%
Project Result 3: Percentage Improvement in Municipal Competitiveness Index scores in at least eight municipalities	19.34%	20% improvement in MCI scores in eight core municipalities as reflected in the MCI 2013	96%
Project Result 4: Number of types of users of the Credit Information System	5*	5	100%
Project Result 5: Number of requests by businesses and citizens for their own credit reports	566	960 from July 2012 – July 2013 [◇]	_ [◇]

* Banks, microfinance institutions, non-bank financial institutions, leasing companies, and insurance companies are the five users of credit information

◇ In agreement with USAID, a target was set for 80 credit report requests by businesses and citizens per month, or 960 per year. Originally, the PBMP did not set a target for PR5.

** Due to the time lag of the Doing Business report's information collection methodology, we expect project reform initiatives to be reflected in the upcoming Doing Business 2013 report

BEEP RESULTS FRAMEWORK

The United States Agency for International Development (USAID) / Kosovo Strategic Plan for 2010-2014 formulates an ambitious five-year agenda for Kosovo. The United States Government (USG) seeks a strong and effective partnership with the Government of Kosovo (GoK) that builds on their close relationship in order to address regional and global challenges. USG support focuses on:

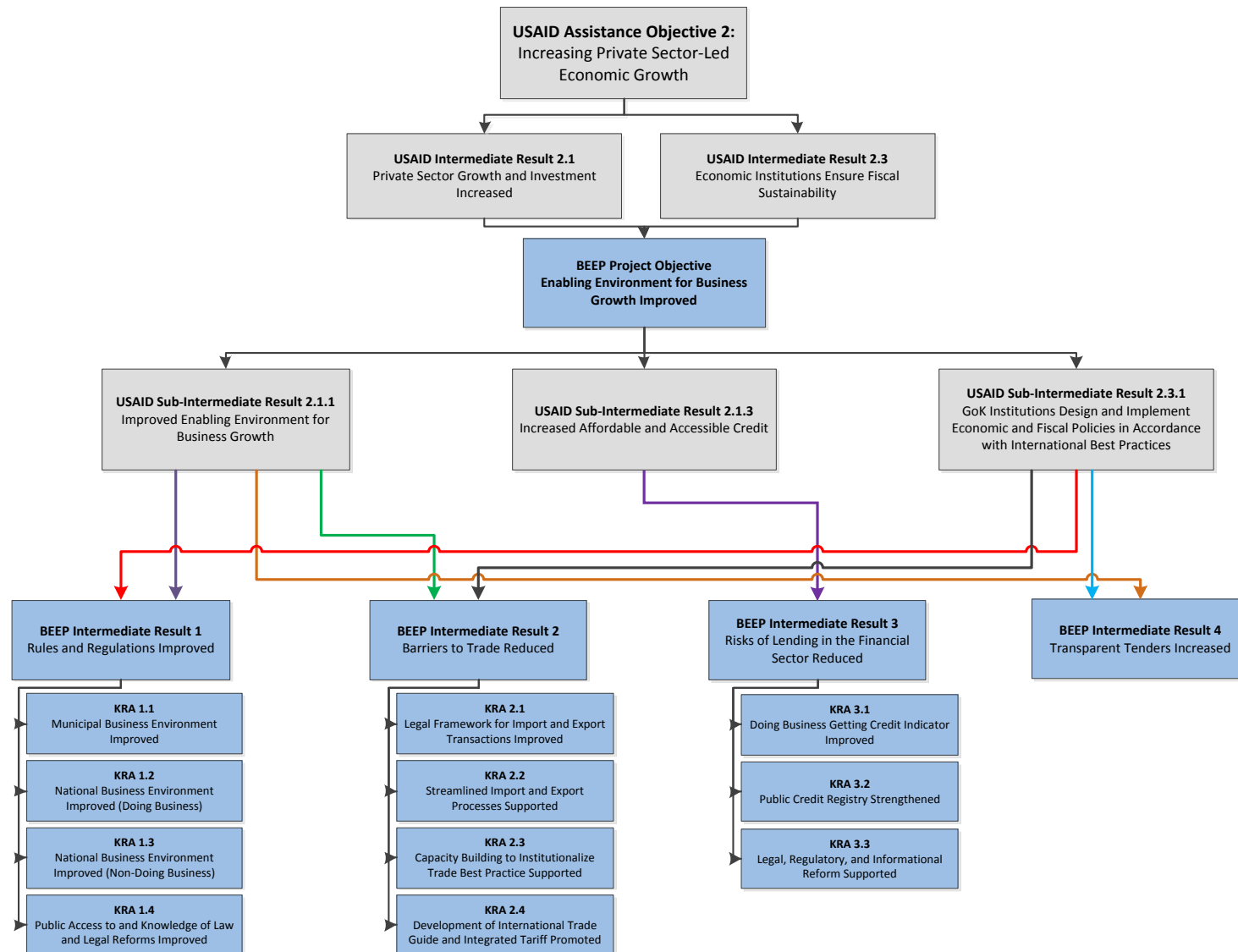
- Building the institutions of Kosovo's government and society;
- Encouraging a democratic process inclusive of all citizens, including all minority groups;
- Promoting economic development such that all people of Kosovo enjoy the benefits of prosperity;
- Ensuring that society and government are firmly grounded in the rule of law; and
- Supporting the continued integration of Kosovo in the region and Europe.

The 2010-2014 USAID / Kosovo strategic plan is based on the implementation of three assistance objectives (AOs):

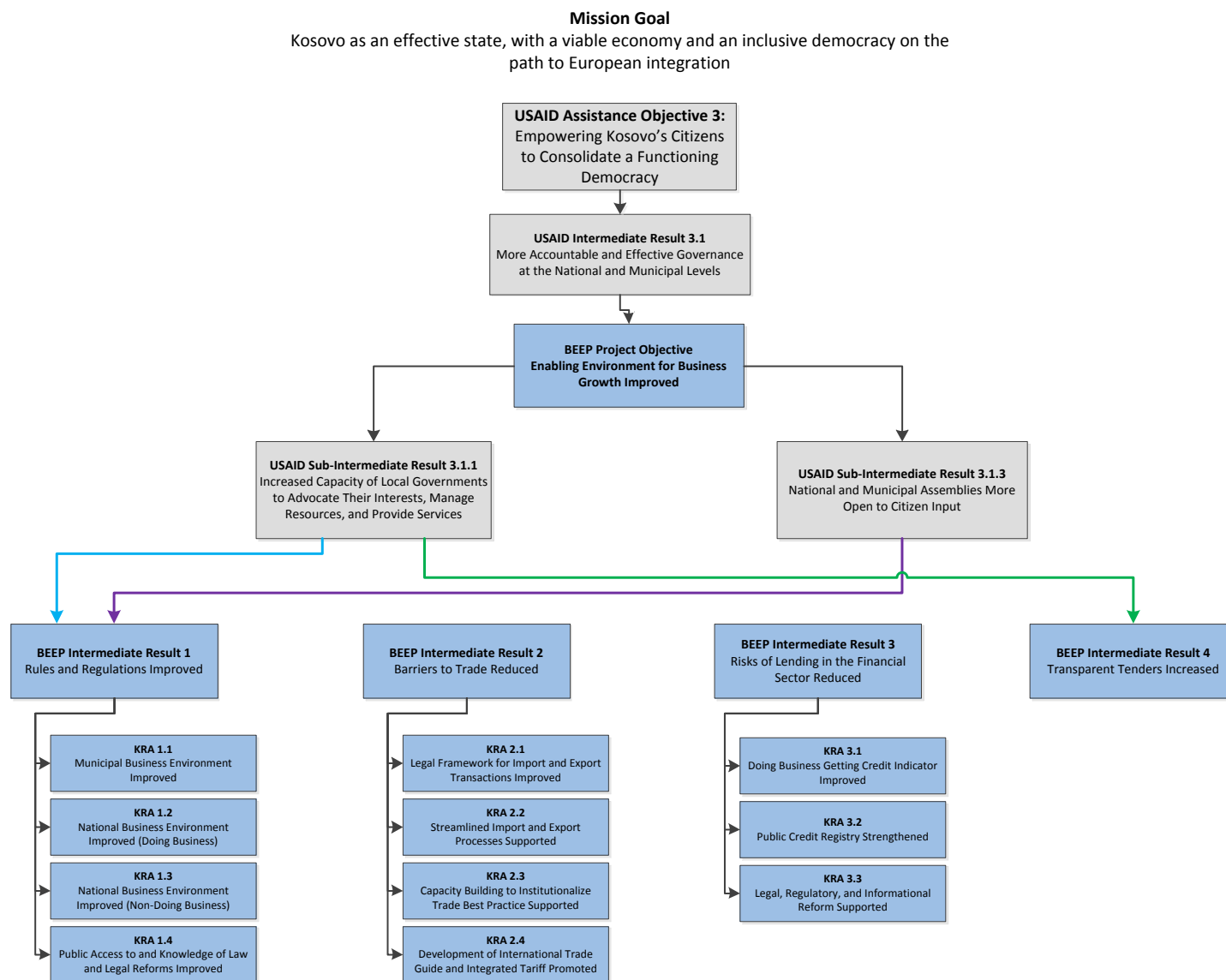
- **Assistance Objective 1:** Youth Are More Productive and Engaged Members of a Stable Kosovo
- **Assistance Objective 2:** Increasing Private Sector-Led Economic Growth
- **Assistance Objective 3:** Empowering Kosovo's Citizens to Consolidate a Functioning Democracy

USAID|BEEP's Project Objective of "Improving the Enabling Environment for Business Growth" drove the establishment of project activities that are narrowly tailored to support achievements under Assistance Objective 2: *Increasing Private Sector-Led Economic Growth*; and Assistance Objective 3: *Empowering Kosovo's Citizens to Consolidate a Functioning Democracy*. Each of USAID|BEEP's four primary Components encompass these dynamic activities and are reflected within the Results Frameworks below.

ASSISTANCE OBJECTIVE 2



ASSISTANCE OBJECTIVE 3



PROJECT INTRODUCTION

BEEP aims to improve the environment for business through effective implementation of reformed laws and regulations, and enhanced publication and accessibility of legal, economic, and financial information by national and local governments. Specifically, BEEP has four (4) priorities:

1. *Improved laws and regulations:* to identify, promote, and facilitate implementation of free market reforms.
2. *Lower trade barriers and harmonized trade policy:* to identify, promote, and facilitate adoption of policies, laws, regulations, and procedures that reduce costs, time, and other disincentives to trade; as well as to promote and assist the development and implementation of harmonized trade policy.
3. *Improved financial sector efficiency:* to reduce risks of lending by increasing availability of credit information and effective use of risk management by the financial sector.
4. *Improved government procurement:* to increase transparency of local government tenders.

Overview of Project Components

Component One: Improved Rules and Regulations. Component One is the largest component in terms of resource allocation and technical scope, and works at both the national and municipal levels to remove barriers to business by simplifying and streamlining the regulatory framework — statutes, regulations, rules, procedures, and other legal requirements — that is applied to businesses operating in Kosovo. Current practice of regulatory bodies is generally to impose requirements on private economic activity, which constitute a serious, system-wide constraint on business. Component One has been working closely with the GoK – primarily with the Office of the Prime Minister (OPM), The Ministry of Environment and Spatial Planning (MESP), and the Ministry of Trade and Industry (MTI) – to carry out legal reforms that address impediments to business identified in the World Bank Doing Business reports on Kosovo. Additionally, it supports reforms in complementary areas to DB reform, including in permissive system improvement, consolidation and publication of laws and regulations through a unified database, inspections reform, and other initiatives detailed below.

Municipal Coordinators in BEEP's eight primary municipalities – Ferizaj, Gjakova, Gracanica, Mitrovica, Peja, Pristina, Prizren, and Strpce – have established strong links with local business communities and public administrations to identify the specific legal constraints that impact business activities and to

engage them in the reform process. With the addition of seventeen new MCs in Year Two, BEEP is able to provide more tailored service at the local level country-wide.

Component Two: Lower Trade Barriers. Component Two focuses on the reduction of barriers to trade to facilitate increased commerce and international cooperation, as well as the implementation of regional and multilateral trade agreements.

Long-term growth is enhanced when a more liberal trade regime is implemented. Unambiguous rules and regulations that guarantee the free and fair movement of goods and services are fundamental to increased trade. For Kosovo to realize the benefits of more efficient trade, a combination of strategies is required: implementation of sound, market-based trade policies and modernization of trade-related institutions; institutionalization of a strong, liberalized business regulatory framework; strengthening of basic market institutions; and the implementation of transparent policies that attract foreign direct investment.

For these reasons, Component Two is assisting the Ministry of Trade and Industry with institutional reforms and Kosovo Customs on activities involving private sector partners (clearing agents, transporters, and business associations). The aim is to streamline trade-related activities through broad-based consultative mechanisms – involving private and government stakeholders in the formulation, implementation, assessment, and fine-tuning of trade policy and customs procedures.

Component Three: A More Efficient Financial Sector. Component Three aims to increase access to finance and enable Kosovo lenders to make more informed decisions based on reliable credit information. Component Three personnel work with the Central Bank of Kosovo (CBK) to ensure that more credit data is captured, that it is stored securely, that it is provided in a timely manner to authorized users, and that it is accurate. Furthermore, they have explored ways to expand the scope of the credit information system by working to add new data providers and to incentivize subjects of credit reports to check and update their own credit information. Component Three is assisting the CBK to complete an upgrade of its Credit Registry software to ensure more accurate and timely credit information.

Component Four: More Transparent Tenders. Component Four is tasked with helping to make more transparent the tendering process for goods and services conducted by Kosovo municipalities; more specifically, to assist at least two of its partner municipalities to introduce on a pilot basis the use of electronic tenders for procurement of local goods and/or services consistent with international best practices.

There has been considerable uncertainty and controversy in Kosovo surrounding donors' efforts to reform procurement, with the EU continuing to advocate for a draft procurement law that was passed over by the National Assembly in September of 2010. Meanwhile, procurement is reported to be problematic and susceptible to corruption at both the national and municipal levels, which was confirmed first-hand from focus group participants in our municipal round tables.

In May 2011, however, the World Bank team announced its intention to launch a procurement reform initiative in Kosovo at the national and municipal levels over the next year. It was subsequently agreed with USAID that BEEP put on hold its own initiative until the scope and direction of the World Bank and EU initiatives become clearer.

Cross-cutting Strategic Studies and Project Fund. In order for legal reforms to succeed and “take root” in society, it is important that the public embrace them. This requires that people be informed about the reforms and understand why they are necessary. To involve citizen stakeholders in project reforms and increase the capacity of indigenous organizations to influence the reform process, BEEP continues utilization of its Strategic Studies and Project Fund (SSPF). The SSPF advances reforms across all BEEP components by awarding grants and subcontracts to Kosovo-registered non-governmental entities pursuing reform-minded initiatives. Specific efforts supported by the SSPF are discussed in the report.

WORK PLAN PROGRESS REPORT

COMPONENT ONE: IMPROVED RULES AND REGULATIONS

CI-1: SUPPORT MUNICIPAL REFORMS THROUGH BEEP AND PARTNERSHIP PROGRAM MUNICIPAL COORDINATORS USING THE MUNICIPAL COMPETITIVENESS INDEX (MCI) AND PURSUE OPPORTUNITIES TO INSTITUTIONALIZE THE MCI

Municipal Competitiveness Index (MCI) 2011 Follow-on. Following publication of the MCI 2011 in June 2011, the Project's Municipal Coordinators (MCs) developed diagnostic analyses of its results for their respective municipalities. These diagnostics included a review of municipality-specific MCI results, comparisons to top performers, identification of business environment issues, and the development of specific recommendations on the actions that municipalities can take to address identified issues. The MCs also monitor the implementation of any reforms that the municipality pledges to carry out. The MCI 2011 allows the Project to better understand businesses' perceptions of their municipal business environments across eight indices:

- Barriers to business entry;
- Predictability and participation;
- Transparency;
- Time costs of regulatory compliance;
- Taxes and fees;
- Municipal administration:
- Labor and business support services; and
- Municipal infrastructure.

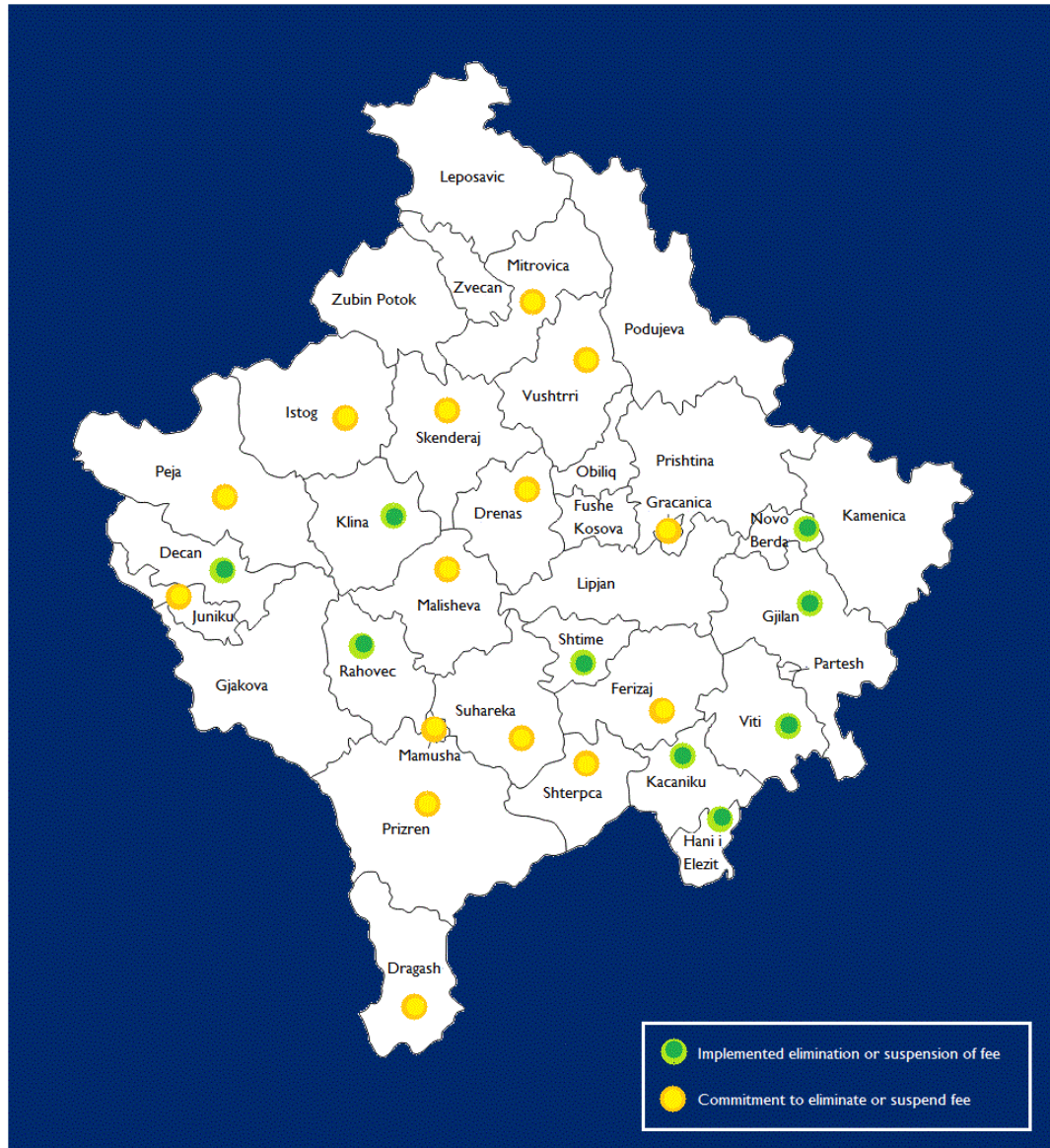


Mayor of the Municipality of Prizren speaking at an MCI 2011 diagnostic presentation in December 2011.

To facilitate diagnostic sessions, the Project met with the MCI subcontractor, UBO Consulting, in October to discuss the preparation of case studies evidencing the best and worst practices reported in the MCI 2011 survey. UBO conducted this research in six municipalities – Gjilan, Istog, Dragash, Peja, Vitia, and Strpce, which allowed comparison among large, small, and minority municipalities, interviewing

both business persons and municipal officials. The case studies were used to help shape and support recommendations to municipalities on reforms they can undertake to create a regulatory environment that is more conducive to business.

Business License Fee Elimination or Suspension



Utilizing these case studies and the MCI 2011 results, MCs held diagnostic sessions with municipal administrations in the last quarter of 2011 and the beginning of 2012, setting the stage for active discussion and facilitating expressions of commitment from municipal administrations to undertake reforms. MCs held sessions in each of the project-assisted municipalities, establishing a solid foundation for impressive future reforms.

The diagnostic presentations proved very valuable for harnessing municipal commitment to transformational, regulatory, and operational change to improve the local business environment. Already, twenty-three (23) municipalities have committed to or implemented the elimination or suspension of business license fees in their municipalities, nine (9) have acted on their commitment and adopted the implementing municipal regulation, and thirteen (13) are in the drafting process. An impressive result in this regard took place in July when the Director of the Department of Finance of the Ferizaj Municipal Administration confirmed plans to abolish *all* business licensing in the Ferizaj municipality. This development follows on a meeting that USAID|BEEP had with the newly elected mayor to discuss business environment reforms.

USAID|BEEP will monitor and support implementation of this commitment. While many of these fee eliminations and suspensions are not permanent, municipal administrations are taking significant steps toward the proper use of the permissive system and away from the improper use of regulatory mechanisms for revenue generation.

Following implementation of the Project's recommendation to eliminate the work permit, USAID|BEEP encountered some confusion on the part of municipalities as to whether the business license is required¹. For example, the Component One team was able to demonstrate to the mayor of Peja that the business license is not required under the law, but is only discretionary². Following discussions, the mayor committed to eliminating associated fees.

"From the frequent meetings we had with the representatives of the project...we fully agreed that the private sector is the only opportunity for the development of the municipality and employment of its citizens. So, with the help of USAID/BEEP we have started to identify and eliminate barriers and constraints in order to create a more suitable environment for the business community. Relying on the support and recommendations of USAID/BEEP we have taken concrete steps for improvement of the business environment. We are confident that the Business Enabling Environment Program, USAID/BEEP, is unlike other projects, and has set the stage for sustainable social and economic development for the future."

Islam Jashari, Director of Finance and Budget, Viti

Another important development is the changing attitudes of municipal officials. Municipal administrations are undertaking activities to build trust between themselves and citizens and create predictability in the business environment. As a transitioning economy, Kosovo's new institutions are beginning to shed old practices of ill-defined control and are developing more narrowly tailored regulatory practices. As evidence of this change, the Director of Finance of the Viti Municipality asked to meet with USAID|BEEP to discuss his proposal to either eliminate or put on a cost-recovery basis the fee that the municipality

¹ Elimination of the work permit was accomplished in the first project year through our recommendations on Law No. 04/L-005 on Amending and Supplementing Law No. 2004/18 on Internal Trade, at Article 5.

² See Law No. 03/L-049 on Local Government Finance

currently charges to change the designated use of a land parcel. At present, the fee is based on the size of the land parcel rather than the administrative costs of administering the change. The Director voiced his want to improve service delivery in the municipality. The Project supported his proposal to change the fee basis for changing the use designation of a land parcel and are helping to research the law and practice surrounding the imposition of this and related fees. The dialogue regarding good governance and business environment reform is changing as this type of demand-driven change takes place around the country.

Another result of the Project's diagnostic recommendations, municipalities have overwhelmingly adopted transparency reforms that make the local business environment more open. Almost all local administrations have taken action to post regulations on their municipal websites, which dramatically reduces opportunities for arbitrary government action and increases predictability. In addition, municipalities have opened their doors for public meetings so that businesses and citizens can be informed of and engage in local budgeting and regulatory drafting. In Rahovec, the mayor has truly embraced the need for transformational transparency reform and is now actively meeting with businesses at least twice a month to address local business environment concerns. Municipal reception to recommendations through use of this important MCI tool has proved invaluable in efforts to improve the business environment.

MCI 2012. Building on the success of the MCI 2011, USAID|BEEP expanded the sample population and surveyed over 3,000 businesses and business persons. The larger sample provided a broader basis for the findings of the survey. Following the survey period, the Project developed the MCI 2012 report to compare with the results of the MCI 2011.

In June, USAID|BEEP held the second annual MCI event (MCI 2012) to announce results and to show how the MCI results and reforms fit in with broader reform initiatives that were underway. This year's MCI results were impressive. Overall, seventeen (17) municipalities improved their raw score by at least one (1) point in three (3) or more MCI sub-index measures and nineteen (19) municipalities improved their cumulative raw scores by more than five (5) points. Importantly, 30 of 33³ municipalities improved their overall raw score, indicating an improvement not only in the legal, regulatory, and operational framework of the municipality, but also as perceived and realized by businesses all over the country.

³ We collected information this year for 3 additional municipalities where information was not available for the MCI 2011 (Leposaviq, Zubin Potok, and Zvecan). Therefore, no comparative information is provided.



MCI 2012 Results Presentation. Presenters (from left to right) are Shaip Surdulli (Mayor of Kamenicë), Slobodan Petrovic (Deputy Prime Minister and Minister of Local Government Administration), Maureen Shauket (USAID Mission Director for Kosovo), Brian Kemple (BEEP Component One Lead), and Terry Slywka (BEEP Chief of Party)

Securing improvement in the MCI indicators is one of the Project's five primary results areas⁴. As discussed above, municipalities have responded even better than expected, committing to and implementing reforms in areas such as improved transparency, increased incentives to business formalization, increased public-private dialogue, and reduced barriers to business creation. USAID|BEEP has already seen an 11.1% overall improvement in cumulative MCI scores across municipalities from reforms undertaken since the MCI 2011 baseline survey. This is very encouraging given the time necessary for acceptance of the MCI as a reform tool in the country, the adoption and implementation of reforms, and the realization of reform impacts by businesses. As this reform momentum continues, the Project expects very significant improvements in the MCI Survey for 2013 results.

Municipal Own-Source Revenue. In 2011, USAID requested that BEEP, the USAID Growth and Fiscal Sustainability Initiative (GFSI), and USAID Democratic Effective Municipalities Initiative (DEMI) projects

⁴ The target for our Project Result 3 is a 20% improvement in MCI scores in at least 8 municipalities from the MCI 2011 to the MCI 2013.

develop a paper on Municipal Own-Source Revenue (MOSR) and Property Tax. The goal was to create consensus among the USAID projects in order to coordinate activities in this area.

Understanding how municipalities generate revenue facilitates improved project assistance activities by allowing us to take a holistic approach to local reform. During this project year, MCs undertook research initiatives to determine sources of MOSR, collecting data on property tax collections, construction permit and business license fees, and the number of construction permits issued.

This research demonstrated that the spectrum of MOSR sources varied widely among municipalities. In many cases municipalities are improperly using businesses licenses and construction permits as mechanisms for raising revenue rather than to protect the public health and safety. Further, accounting codes used to identify own source revenues and report to the Ministry of Finance (MoF) are vague, misunderstood, and misapplied. Municipalities report revenue to the MoF using different numbering systems and nomenclature. It is therefore very difficult to monitor municipal compliance with national law and to determine sources of municipal revenue.

A consensus was reached on most of the principal issues, including the need to overhaul and sharply curtail the municipalities' current practice of using licenses to generate revenue from businesses. This research further helped inform discussions of USAID|BEEP's assistance in construction reform. Discussed in more depth in CI-2, the project-sponsored Law on Construction includes a provision requiring the municipalities to establish construction permitting fees on a cost recovery-basis, limiting the opportunity for administrations to use the permit as a revenue-raising tool⁵. However, municipalities expressed their concern that they would not be able to fund their budgets without this mechanism.

The Project's analysis revealed that collection of property taxes is limited, as many buildings are not included in the property tax rolls. Therefore, USAID|BEEP's assistance and recommendations focused on encouraging greater inclusion of properties and improved enforcement of property tax collections to relieve the financial burden of lost construction permitting revenue. As property tax is commonly recognized as one of the primary mechanisms for collecting MOSR, this research allowed the Project both to tailor recommendations for proper use of permitting and improve own source revenue practices. This holistic approach to MOSR proved invaluable in the Project's advocacy for transformational construction reform by allowing us to utilize demonstrable business environment constraints.

⁵ Law No. 04/L-110 on Construction at Article 22, ¶ 3.

In June, USAID|BEEP completed a validation review of an adopted amendment to the Law on Tax on Immovable Property⁶. The amendments reflect the priorities of Economic Vision 2014 as supported by USAID GFSI and BEEP by (1) increasing the minimum property tax rate from 0.05% to 0.15%, (2) clarifying property tax treatment of unfinished constructions by providing they shall be taxed at 40% of the residential property value; (3) requiring that property tax be paid before the parcel may be transferred, and (4) providing that appeals can be filed in court if the Municipal Board does not respond to the taxpayer within 60 days of filing.

As previously mentioned, increasing the participation in and rate of property tax, if properly implemented, would allow municipalities to move away from use of regulatory mechanisms for revenue-raising. Increasing this tax rate is not expected to have a substantial impact on the Doing Business “Paying Taxes” indicator. In Pristina, the commercial property of 0.17% rate is already above the new floor. Therefore, Kosovo’s Doing Business score for “Paying Taxes” would only be expected to be affected if the municipal rate is subsequently increased, but given the overall low rates of taxation, any impact would be very small.

E-procurement. In early February a USAID|BEEP short term expert met with the mayors of Viti and Peja to assess the feasibility of introducing e-procurement at the municipal level. The expert also met in separate meetings with officials of the Central Procurement Agency and the Public Procurement Regulatory Commission to discuss Georgia’s experience and achievements in



Municipal Partnership team participating in a USAID|BEEP training on reform methodology

converting to wholly electronic procurement. The expert’s assessment was that introducing e-procurement at only the municipal level, especially in just two pilot municipalities, was not feasible

⁶ Law No. 04/L-100 on Amending and Supplementing Law No. 03/L-204 on Tax on Immovable Property.

⁷ The Paying Taxes methodology employed by the World Bank utilizes a simple average of three component indicators: (1) number of hours per year to file returns and pay taxes; (2) number of payments per year; and (3) tax liabilities as a percentage of profits.

because in order for the municipal level reforms to be effective, extensive work would first need to be done at the national level where procurement policy is set.

Municipal Partnership Program. USAID|BEEP took a big step to expand work activities and facilitate change in the municipalities by partnering with a local subcontractor to add seventeen (17) new Municipal Coordinators (MCs) to the existing eight (8). With a stronger presence in the municipalities the Project has forged improved relationships with local administrations, raised our level of assistance, and expects to drive additional reforms.

The path to improved regulatory environments in the municipalities is clear, but it requires a change in the mindset of those responsible. With reform momentum growing in the municipalities, it is important that the Project continually communicates with and informs those administrations who have not yet adopted specific reforms, encouraging them to follow the lead of those that have, and the new MCs are facilitating this information coordination in their respective municipalities.

In April the new MCs received a two-day orientation and then hit the ground running, reviewing the MCI 2011 and identifying business environment constraints. They were introduced to the municipal officials, finding a high level of acceptance and anticipation for continued successful relationships with the Project. The new MCs underwent extensive mentoring on USAID|BEEP's reform methodology to ensure a uniform message of reform recommendations and consistent implementation strategies. Topics included issue identification and analysis, process mapping, legal writing, and economic impact quantification. The new MCs will be a critical part of upcoming MCI diagnostic teams as USAID|BEEP charges forward on ambitious municipal reforms.

Model municipal regulations. To date USAID|BEEP has compiled a list of a core set of competencies that municipalities are legally empowered to undertake and has identified, within the core municipalities⁸, where related regulations are in place. The Project is currently gathering this information for all municipalities to make recommendations on improving regulations for each of the identified core competencies.

USAID|BEEP has already worked with individual municipalities to improve selected regulations and make them consistent with the principles of a private market economy and limited government. USAID|BEEP has also promoted their adoption in other municipalities. That work, however, has made clear that (1) it would be most effective to develop model regulations relating to private economic activity that could be adopted by municipalities throughout Kosovo; and (2) most municipal legal officers would greatly benefit from training on developing model regulations. The activity would (1) increase municipalities' internal

⁸ Core municipalities for the project are Peja, Pristina, Mitrovica, Gjakova, Strpce, Ferizaj, Gracanica, and Prizren.

capacities to develop their own regulations; (2) foster the harmonization of rules and regulations across municipalities; and (3) create a useful resource for small municipalities that encounter difficulties in developing proper regulations on their own.

The Association of Kosovo Municipalities (AKM) compiled a manual of model regulations in 2010. While the model regulations in the manual require extensive revision and updating in order to bring them into line with the requirements of a good business environment, they can nevertheless serve as a starting point for the development of appropriate model regulations. The AKM has expressed its readiness to work with municipalities and USAID on this and to help conduct the training session and the follow-on work. USAID|BEEP has agreed to help the AKM publish and disseminate in electronic form and hard copy the revised version of its Manual of Model Regulations when the model regulations have been finalized.

CI-2: SUPPORT NATIONAL BUSINESS ENVIRONMENT IMPROVEMENT (DOING BUSINESS)

Draft Law on Construction. This contract year saw strong results in the area of construction. The project-sponsored Law on Construction was adopted by the Kosovo Parliament in May and signed by the President in June 2012. Further, the Ministry of Environment and Spatial Planning (MESP) has requested that USAID|BEEP take a leading role in implementing transformational construction reform.

In August 2011, the Minister of MESP requested assistance in developing the draft Law on Construction. The Component One team devoted significant project resources to the development of a draft law and delivered a comprehensive package to the Minister containing (1) a draft Law on Construction in Albanian, Serbian, and English; (2) a process map illustrating the construction permitting procedures under the proposed version of the draft Law; and (3) a table that presented detailed comments on each provision of the law provided by the MESP. Important features of the draft include, among others:

- *Silence is consent principle.* This establishes a time limit for authorized permitting bodies to issue construction permits. If the body does not issue the permit within the time limit and does not provide sufficient reason, then the permit is legally deemed issued and the applicant may proceed with construction according to the terms submitted in the application. This reduces discretion on the part of the permitting bodies, eroding possibilities for and reliance upon corruption.

- *Cost recovery-based permitting fee.* It is very common for municipalities to use permits and licenses as a revenue-raising mechanism rather than for its intended purpose of protecting the public's health and safety. The DLC incorporates a requirement that authorized bodies to publicize their permit fee and that the fee be based on only the costs of issuing the permit. Any amount over the costs of issuance is a *de facto* tax.
- *Transparent and predictable procedures for issuing construction permits.* The DLC establishes clear and predictable procedures for applying for and obtaining a construction permit. This includes the process all the way from the application to final inspection and issuance of the occupancy certificate.
- *Risk-based approach.* Not all constructions are the same. Employing international best practice, the permitting approach taken in the DLC incorporates a risk-based assessment of the construction activities so the authorized permitting bodies can more effectively allocate resources. Time limits for the purpose of "silence is consent" are extended for riskier construction activities.
- *Requirement for development of a Construction Code.* Work does not end with adoption of the DLC. An extensive amount of work will be required following adoption, including the development of a tailored Construction Code. The Construction Code will establish the minimum mandatory technical requirements for construction activities in Kosovo.

Following submission of the draft, the Project was involved in a number of technical discussions with MESP concerning its impact at the national level and on the municipalities.

Later in November, the International Finance Corporation (IFC) provided USAID|BEEP with comments on the draft Law, giving it a very favorable review, and supplied a few recommendations to improve specific provisions. Recommendations included



New construction taking place in the capital city of Pristina

more clearly defining how utility companies should be involved in the "single-window" approach and

more strongly incentivizing the establishment of urban regulatory plans. USAID|BEEP also received and incorporated into the draft law comments from the International Civilian Office (ICO). The Component One team finalized the draft in December and re-submitted the law to the MESP.

In early February, the Project met with officials from MESP to develop the DLC concept paper for submission to the Government Meeting⁹. This paper was used to orient policy makers on the law and accompanied the draft when it was submitted to the Government Meeting. The MESP made the draft and concept public and received comments from stakeholders, including from the AKM. At the request of the MESP, USAID|BEEP provided significant support in reviewing and responding.

In the beginning of March, MESP submitted the concept paper and draft law to the Government Meeting for review. On March 8, 2012 the GoK approved the DLC and submitted it to the Kosovo Assembly. Immediately following its approval by the GoK, USAID|BEEP began garnering support and disseminating it through the Project's information network. USAID|BEEP assisted the MESP in making a presentation to the Parliamentary Committee to better familiarize members with the law and prepare them for future deliberation. Because this law affects a large majority of the country, public comment and discussion proved intense.

Preliminary apprehensions about the DLC were voiced largely by the municipalities through the AKM. The transformational nature of the law engendered municipal concern that they would have difficulties with implementation. Municipalities cited several difficulties, including issuing construction permits within newly established deadlines through incorporation of the "silence is consent" principle; establishment of cost recovery-based fees; and development of urban regulatory plans. Other stakeholders also voiced concern, fearing the loss of government protection for certain occupations.

Through close consultation with the MESP, USAID|BEEP helped facilitate public discussion and provided detailed responses to stakeholder concerns. Further, the Project brought in two construction experts from the Republic of Georgia to share their experience and discuss the challenges and benefits of reform. The public comment period yielded several useful suggestions that the Project recommended be included in proposed amendments to the DLC for Parliamentary Committee consideration.

In early March 2012, the GoK approved the DLC in the Government Meeting and submitted it to the Parliamentary Commission on Agriculture, Spatial Planning, Environment, Forestry, and Rural Review for review. USAID|BEEP helped to facilitate public comment during the Commission's first reading where

⁹ In the legislative process in Kosovo, ministries may submit proposed laws to the Parliament. However, they must first be adopted by the Executive Branch in a Government Meeting. As part of this meeting, ministries must submit a concept document for consideration.

discussion proved intense. We also assisted the Commission in responding to concerns surrounding the DLC, including the implementation concerns voiced by the municipalities. The Commission incorporated relevant comments and passed the DLC in the first reading during the first week of April.

On May 31, 2012 Parliament passed the DLC in the second reading and sent it to the President for signature. Finally, on June 22, 2012 the President signed the DLC and the law is now in force. The Law on Construction is expected to have a strong positive impact on the Doing Business "Dealing with Construction Permits" indicator in the Doing Business 2014 report¹⁰.

In late June, the Project held a workshop jointly with the Association for Kosovo Municipalities for municipal legal officers on the Law on Construction to increase their understanding of the new Law and the follow-on reforms to be carried out at the municipal level. Approximately twenty (20) municipal legal officers attended, along with the Permanent Secretary of MESP and representatives of the Association. USAID|BEEP will continue to work with MESP to strategize on the upcoming Construction Law information campaign.

Study Tour to Turkey. In early June 2012, the Project sponsored a working session in Istanbul, Turkey to provide Kosovo Parliamentarians greater insight into construction reform and its effects. The working session brought together seven Parliamentary deputies, the Permanent Secretary of MESP and four other Kosovo experts and officials with ten Georgian experts and private sector construction representatives. The session generated deeper understanding, particularly among deputies, for the further reforms that will need to be carried out to implement the recently adopted Law on Construction and broader construction reform, including the development of a new Law on Spatial Planning and Law on the Legalization of Illegal Constructions.

Study Tour to Georgia. In late September 2011, GoK representatives participated in a study tour to the Republic of Georgia, combining three days of meetings with Georgian government counterparts to discuss DB reforms and a three-day regional conference on e-governance co-sponsored by USAID. Twelve Kosovo officials from both national and local governments, along with 3 technical staff and 2 translators from USAID|BEEP participated.

¹⁰ The Doing Business reports are titled one year ahead of the year of release. For example, the Doing Business 2013 report is expected to be issued in October 2012. Further, the information collection period for any given report ends in May of the year it is released. In our case, the Law on Construction was not adopted in time to be captured in the Doing Business 2013 report (for which data collection ended in May 2012). Therefore, we expect its impact to be captured in the Doing Business 2014 report.

The visit was the culmination of remarkable coordination between Kosovo and Georgia. With USAID support, the delegation successfully traveled to a country that does not officially recognize Kosovo. (This was unprecedented, because Georgia does not officially recognize Kosovo.)

The group began the study tour in Tbilisi where they met with Georgian officials and government counterparts to discuss and observe practical implementation of effective business environment reform. Collaborating Government of Georgia (GoG) bodies included the Ministry of Economic Development, Ministry of Finance, the Public Registry (One Stop Shop), and the Ministry of Internal Affairs. These meetings represented an unparalleled opportunity for the representatives from Kosovo to discuss reform initiatives and learn from some of the top Doing Business reformers in the world.

In addition to meetings in Tbilisi, the delegation traveled to Batumi for the Regional Workshop where



Study Tour delegation in Georgia, September 2011

they learned about the reform experiences of other countries including Armenia, Ukraine, Egypt, and Turkey. Topics included relationships with the business community, tackling corruption, property registration, governance and information technology, transparency, accountability, and service improvement.

This visit helped show that transformational reforms are possible and illustrated the positive impact that

fundamental changes can have. It is hoped that this visit laid the foundation for future exchanges and strengthened economic relationships between the people of Kosovo and the Republic of Georgia. The group brought back not only the practical knowledge about improving the business environment, but the inspired confidence and determination to achieve top reformer status.

DB Laws enacted. During August and September 2011, the Kosovo Assembly adopted several DB-related reforms. In addition to the amendments to the Law on Business Organizations¹¹ and Law on Internal Trade¹² adopted in June 2011, these laws represent highly significant business environment reforms and are expected to dramatically improve Kosovo's ranking in the DB 2013 report. The newly adopted laws include the:

¹¹ Law No. 04/L-006 on Amending and Supplementing Law No. 02/L-123 on Business Organizations

¹² Law No. 04/L-005 on Amending and Supplementing Law No. 2004/18 on Internal Trade

- Amendment to the Law on Notary¹³;
- Law on Fire Protection¹⁴;
- Amendment to the Law on Establishment of the Immovable Property Rights Register¹⁵;
- Law on Accounting, Financial Reporting, and Audit¹⁶; and
- Law on Cadastre¹⁷.

These laws originated during the five-day legislative drafting session in Struga, Macedonia in February 2011. Here, USAID|BEEP proposed several new laws and amendments to existing laws to improve Kosovo's ranking in future DB reports, including those mentioned above.

These recent adoptions are expected to improve Kosovo's business environment and the resulting performance in the DB indicators for "Protecting Investors", "Registering Property", "Starting a Business", and "Dealing with Construction Permits". Especially notable is the amendment to the Law on Notary, which eliminated an unnecessary burden on business and resolved a long-standing contradiction between law and practice. The previous Law required that documents submitted for business registration that set forth the form of corporate organization, or changes to the form of organization, be notarized.

When the previous Law entered into force in 2008, however, there were no notaries in Kosovo. (Licensing of notaries began only in 2011.) As a consequence, it was not possible to register a business in the manner required by law; and, as a result, any business that was registered during this time was susceptible to a finding that it had no legal status and that all of its transactions were null and void. By eliminating the notarization requirement, the amendment removes this contradiction, puts business regulation on a more rational footing, and eliminates a barrier to informal businesses entering the formal sector.

The Amendment to the Law on Establishment of the Immovable Property Rights Register focuses primarily on requiring cost-based fee calculations for registration of land transfers. This supplements the new Law on Cadastre that requires municipal cadastral offices to register property within 3 days rather than 30.

¹³ Law No. 04/L-002 on Amending and Supplementing the Law No. 03/L-010 on Notary (August 8, 2011)

¹⁴ Law No. 04/L-012 on Fire Protection (August 10, 2011), abolishing Law No. 02/L-41 on Fire Protection

¹⁵ Law No. 04/L-009 on Amending and Supplementing the Law No. 2002/5 on the Establishment of the Immovable Property Rights Register (August 10, 2011)

¹⁶ Law No. 04/L-014 on Accounting, Financial Reporting, and Audit (August 26, 2011)

¹⁷ Law No. 04/L-013 on Cadastre (September 1, 2011), abolishing Law No. 2003/25 on Cadastre

Under the Law on Cadastre¹⁸, the Kosovo Cadastral Agency (KCA) is required to establish fees on a cost-recovery basis through a sub-normative act. To push forward the implementation of the fee calculation, USAID|BEEP met with the KCA to review the Agency's proposed implementing regulation and provide recommendations for improvement. Embracing the Project's recommendations, the KCA issued an implementing regulation in June 2012 that dramatically lowers the cost of registering property, recovering only the costs of administering the registration service. Along with USAID|BEEP's work on the Permissive System, this is another step supporting rationalization of the regulatory system in Kosovo.

World Bank Doing Business 2012 report released. In October, the World Bank released its Doing Business 2012 report. The report noted three methodological changes, including updates to the indicators "Getting Credit" and "Paying Taxes," and the addition of the indicator, "Getting Electricity"¹⁹.

Kosovo's ranking in the DB 2012 report was 117, which was identical to Kosovo's ranking in the updated DB 2011 report²⁰. This result was expected as DB reforms carried out in this past year took effect only after the DB 2012 survey was completed and could not be reflected. It is expected that reforms enacted to date will cause significant improvement in Kosovo's ranking in the DB 2013 report expected to be released in October 2012.

Streamlining business startup. This year USAID|BEEP supported the "Starting a Business" Subgroup of the national Doing Business Task Force and submitted recommendations on transition to a unified taxpayer identification number (TIN), including proposed changes to the necessary laws and procedures and incorporated the Project's discussions with the IFC.

However, the Project met resistance to a full transition to a unified TIN as work by the GoK was underway to move to a "single window" for business registration. This meant that the various numbers for business registration were still required (including business identification, fiscal, and VAT numbers), but they could be obtained at one physical location in various locations around the country. While this is not the most highly desired result, it does represent improvement in business registration.

To further simplify business startup, USAID|BEEP worked with the USAID Efficient and Sustainable Tax Administration of Kosovo (ESTAK) project on amendments to regulations under the Laws on Tax Administration and Procedures and the Law on Value Added Tax²¹. Among these proposals was the

¹⁸ Law No. 04/L-013 on Cadastre at Article 30, ¶¶ 6 and 7.

¹⁹ See Annex 4 on Structural Changes from DB 2011 to DB 2012 for additional information.

²⁰ See Annex 5 on DB 2011 Results Published in 2010 versus DB 2011 Results Published in 2011.

²¹ Law No. 03/L-022 on the Law on Tax Administration and Procedures and Law No. 03/L-146 on Value Added Tax.

elimination of the pre-registration tax inspection for business registration. The Doing Business report records this inspection as an unnecessary barrier to business startup as business registration should be an entirely separate procedure from regulatory compliance assessment.

On May 21, 2012, the MoF adopted the administrative instruction that included all of our recommendations, including the elimination of the pre-registration TAK inspection²². This is expected to eliminate one (1) day from the business registration requirements as captured in the “Starting a Business” indicator of the Doing Business report.

Doing Business reform media campaign. As previously discussed, the Parliament and the GoK have adopted many important Doing Business reforms. Government efforts to disseminate information on these reforms, however, have been undertaken largely on an *ad hoc* basis, lacking the force of a comprehensive media strategy that demonstrates commitment to a publicly accountable reform approach. Businesses and citizens need to be not only informed of changes to primary and secondary legislation, but also convinced that the government is truly prepared to undertake transformational business environment reform efforts. Further, reforms must be felt by the business community in order to be captured by the *Doing Business* report.

With these considerations in mind, USAID|BEEP reached an agreement with the MTI to advertise critical Doing Business reforms, including the elimination of charter capital for LLCs, the elimination of the business registration fee, the reduction of documentary requirements for import and export transactions (discussed below in Component Two) and the elimination of the work permit. The media campaign was a huge success, establishing a nationally recognized slogan of "Business is getting easier every day!" Information on Doing Business reforms was also dispersed through distribution of two project newsletters.

CI-3: SUPPORT NATIONAL BUSINESS ENVIRONMENT IMPROVEMENT (NON-DOING BUSINESS)

*Permissive System and Inspections*²³. This project year saw impressive progress in the areas of the Permissive and Inspections Systems. While activities in these two areas were originally on separate

²² Ministry of Finance Administrative Instruction No. 01/2012 Amending Administrative Instructions No. 10/2010 and 15/2010 Regarding Taxpayer Registration (May 2012)

²³ The Permissive System is the terminology used to describe any legal permission required by the government to engage in a specifically defined activity. These permissions include mechanisms such as registrations, permits, and licenses. Inspections are a commonly recognized method of assessing compliance with the terms described in the permissions.

tracks, it became apparent that it was necessary to conduct these reforms in parallel. The Project committed significant efforts to developing a unifying concept for both systems that captures the importance of starting with a risk-based approach to permissions and following through with a framework for compliance assessment. The Concept Paper on these reforms will be submitted to the Office of the Prime Minister (OPM) in early August 2012 and will pave the way forward for reform in this area. Already, Component One has made significant progress in developing draft Laws on Inspections and the Permissive System in anticipation of the adoption of the concept.

The draft Law on Inspections will establish modern principles and requirements with which all inspecting authorities must comply. These include, among others, the requirement that inspecting authorities base their inspection policies and plans on a risk assessment and that they emphasize compliance rather than penalties. Similarly, the draft Law on the Permissive System will be the governing legal framework for government permissions going forward, establishing the criteria for potential introduction of any future permissions.

In April 2012, Component One attended a workshop held by World Bank experts on Inspections Research. There, the World Bank team presented its findings and recommendations related to the inspections regime in Kosovo, noting the absence of a risk-management approach and the arbitrariness of businesses targeted, overlapping and duplicative competencies, high number of inspectors, lack of training for inspectors, and lack of coordination among inspecting authorities. This information proved very useful in development of USAID|BEEP's concept material.

Also in April, USAID|BEEP held a project-sponsored working session to review sub-normative acts (discussed below) that resulted in a crucial step toward achievement of an important GoK Economic Vision 2014 goal. Aiming to eliminate 50% of all permits and licenses, the working group earmarked all sub-normative acts that require a permit or license for a future guillotine review. This review will require specific criteria to be established when each ministry attempts to justify any permissions required through their sub-normative acts. Component One is developing these criteria through the Concept Paper on the Permissive System and Inspections.

Once the framework Laws on the Permissive System and Inspections is adopted, extensive work will be required with the Government and individual ministries to bring their policies, practices, and procedures into line with the requirements of the framework laws.

Law on Tourism. In late October 2011, the MTI requested that the Project provide comments on their draft Law on Tourism. USAID|BEEP conducted an internal review, compiled and compared similar laws from regional countries, and produced a detailed and thorough analysis of the draft law, along with the

Project's recommendations for a new draft. These recommendations centered on allowing free market incentives to govern the hotel rating system.

Specifically, USAID|BEEP recommended abolishing the license for businesses that perform tourism services, the work permit for various tourism-related activities, as well as the requirement of approval of the Ministry of Infrastructure for foreign tourism motor vehicles. These requirements were in no way related to public health and safety and only created unnecessary barriers to business activity in the tourism sector.

USAID|BEEP's recommendations are still under consideration by the MTI and it remains unclear how they will proceed. The Project will continue to advocate for project recommendations and monitor progress in this area.

Elimination of Construction Licenses. In September 2011, the GoK implemented a project recommendation to eliminate licenses for construction companies; specifically, six types of construction licenses containing over 50 different license categories were abolished²⁴. Because construction is regulated through other mechanisms, the adoption of MTI Protocol No. 6959 eliminates redundancy and unnecessary interference with construction activity.

A major factor in illegal construction is costly and often unnecessary licensing such as that addressed in the MTI's Protocol. This represents a significant step both to reduce barriers to engaging in construction activity and more properly focus permitting and licensing. It's clear that the national- and local-level dialogue is changing for the better in Kosovo.



New apartments being constructed in Pristina

Draft Law on Condominiums. In early April 2012, USAID|BEEP received a draft Law on the Usage, Maintenance, and Management of Condominiums from the MESP for review. The law was not well constructed and required an unnecessary license for companies that manage condominiums. Component One prepared a preliminary analysis and provided recommendations for improvement but was met with resistance from the Head of the Construction Department who claimed the license was necessary to

²⁴ Ministry of Trade and Industry Protocol 6959 eliminated four MTI sub-legal acts: Decision No. 211 and Administrative Instruction Nos. 2008/20; 10/2010; and 02/2011.

protect the public health and safety and to stimulate competition. USAID|BEEP found these arguments to be contradictory and unfounded and will continue to assist the MESP to improve the draft.

Management Expert Meetings. In mid-March 2012, the Project utilized a subcontractor to present Human and Institutional Capacity Development (HICD) services to various ministries and municipalities,



Human and Institutional Capacity Development working session in Ohrid, Macedonia, July 2012

including the Central Bank of Kosovo (CBK), MTI, MESP, Viti, and Hani i Elezit. Meetings were held with these institutions to provide a general overview of services that could be delivered, including organizational assessment, process improvement, and capacity building.

In response to the MESP's plans to complete consolidation of the Spatial Planning Department and the Construction Department, the Project sponsored a working session

in Macedonia in July to provide the Ministry with technical assistance in human resources and organizational management. USAID|BEEP's expert completed an initial analysis of the proposed restructuring and provided recommendations. Future HICD assistance will take place in support of construction implementation.

Inter-Municipality Focus Group Meeting with Bee-keepers. At the end of April, USAID|BEEP organized a gathering of bee-keepers from the municipalities of Mitrovica, Peja, Prizren and Gjakova. Individual MCs had met with bee-keepers previously and it was clear that they had a strong desire to present and discuss their regulatory and legal issues and problems. Just under 50 bee-keepers attended the event, which was co-chaired by four project MCs. In the course of the discussion, the group identified several issues, ranging from municipal restrictions on transporting bees between municipalities to licensing



USAID/BEEP Prizren Municipal Coordinator Conducting Focus Group with local Bee-keepers, April 2012

requirements imposed by national bodies. The Project will investigate these issues more deeply and develop a plan of action to address them.

CI-4: INCREASE PUBLIC ACCESS TO AND KNOWLEDGE OF LAW AND LEGAL REFORMS THROUGH DEVELOPMENT OF LAW ON NORMATIVE ACTS AND LEGAL INFORMATION DATABASE; AND STRENGTHEN THE OFFICE OF THE PRIME MINISTER

Legal Information Database. Currently in Kosovo a consolidated location to access normative acts in force does not exist. This is a burden on businesses and citizens as it presents a significant challenge in knowing and understanding their rights and obligations under the law. Not only does this create the opportunity for arbitrary enforcement, but acts as a disincentive to investment due to the lack of transparency and predictability in the legal regime.

To increase access to law in Kosovo, Component One is working to establish the first-ever consolidated, electronic, searchable legal information database (LID). In collaboration with the Official Gazette and the OLS of the OPM, USAID|BEEP assessed the technical capacities of the government and developed the technical specifications for the LID.

Early in 2011, the Project co-sponsored a five-day working session in Struga, Macedonia to identify unnecessary, redundant, and illegal AIs. From the one thousand five hundred (1,500) AIs identified, the task force compiled a list of over three hundred and seventy (370) that it recommended for rescission. Accepting the recommendations of the task force, Prime Minister Thaçi signed Decision Nr. 08/35 in September 2011, which clearly published for the first time the complete list of all AIs in force in Kosovo with the provision that any AI not included in the list was deemed null and void. This applied to the more than 370 AIs that the task force identified as well as any other AIs that the Government did not identify. The Decision established a clear regulatory base in Kosovo from which to go forward.

As the next element for establishment of the LID, USAID|BEEP sponsored a second review of sub-normative acts in April 2012. This second session was a substantive review of all GoK sub-normative acts. At this session, all ministries and representatives of the OPM attended and worked diligently to narrow the regulatory base. With the goal of making the regulatory environment more conducive to free economic activity, the working group designated seventy-two (72) sub-normative acts for elimination. The group also earmarked any remaining sub-normative acts that contained a license,

permit, or registration requirement for a future guillotine review under the umbrella of Permissive System and Inspections reform.

In June 2012, the OPM issued a Decision officially abolishing the list of seventy-two (72) sub-normative acts identified during the working session²⁵. The Project has collected all of the abolished acts and will monitor implementation going forward. This elimination of over four hundred and forty (440) Als represents another crucial step in our collaborated effort with the government to establish the LID.

Law on Normative Acts. During 2011, USAID|BEEP and the Head of the Office of Legal Services (OLS) of the OPM forged an agreement to work together to develop a Law on Normative Acts (LNA) to complement the LID. The LNA will establish requirements for the development of normative acts – laws and regulations – that, among other things, will require government bodies to conduct impact assessments and provide reasonable opportunity for public notice and comment. The LID will make it possible to create complete transparency with respect to all the laws and regulations that are in force, enabling businesses, for example, to become aware of their rights and obligations under the law, and ensuring that no acts can be applied unless they have been made known to the public.

Component One worked with the Head of the OLS of the OPM to complete a draft of the LNA in early 2012. The Head of the OLS committed to use this draft as the basis for discussion going forward and to produce the next draft based on comments from local counterparts. In June, the Head of the OLS met with Component One to establish a schedule for the LID, the LNA, and the laws on the Permissive System and Inspections. These are very high priorities for the OPM and USAID|BEEP expects to move forward with all three initiatives before the end of 2012.

BEEP Newsletter. During this project year, the Project has assisted the development, adoption, and implementation of several important business environment reforms. However, work does not stop at the level of government. Informing businesses and citizens about these transformational changes is just as important as the reforms themselves.

In order to improve public access to and knowledge of laws and legal reforms, USAID|BEEP developed a project newsletter in 2011. The newsletter was designed to provide information to the business community on developments in legal reform that could affect their business and apprise them of opportunities to participate in the reform process.

So far the Project has developed and distributed two issues of the newsletter. Topics of these newsletters included information on, among other things:

²⁵ Decision of the Office of the Prime Minister Nrs. 01/81 - 07/81.

- Elimination of the minimum charter capital requirement for Limited Liability Companies (LLCs);
- Elimination of the business registration fee;
- Establishment of a clear regulatory baseline in Kosovo;
- Elimination of the work permit;
- Release of the MCI 2011;
- Trade legislation development; and
- Information on credit reporting.

A third issue of the newsletter is under development and USAID|BEEP expects completion and distribution in September 2012.

American Chamber of Commerce (AmCham) Roundtable on Business Agenda. In early October 2011, AmCham held a roundtable to announce its findings and recommendations from its research of constraints encountered by Kosovo businesses. AmCham carried out this research under a grant from



American Chamber of Commerce Roundtable on the Business Agenda, October 2011

the Project and USAID|BEEP awarded them a follow-on grant to support the organization's dissemination of its research findings and to monitor the GoK's implementation of these recommendations. This roundtable was the primary activity under the follow-on grant, which ran through the end of March 2012.

Approximately 40 people attended the event, including the heads of the Tax Administration and Customs Service and the Advisor to the Deputy

Prime Minister Kusari-Lila. USAID|BEEP also made remarks, noting the importance of public-private dialog in appropriate policymaking and the development of trust between government and the private sector.

Levering synergies with the American University of Kosovo. Working from a promising collaboration with the American University of Kosovo (AUK), USAID|BEEP sought to foster a collaborative, grass-roots approach to policy making by engaging Kosovo youths. On March 12, the Project addressed an audience

at the AUK, providing an opportunity for up to fifty students to partner with project consultants to turn their Senior Policy Research Projects into practical reform initiatives. In collaboration with faculty advisors, USAID|BEEP introduced the students to the project and provided them with the unique opportunity to produce real change in Kosovo through the use of the project's Municipal Competitiveness Index tool to identify and develop reforms in their communities throughout Kosovo. Through their research, students have the chance to be paired with USAID|BEEP Municipal Coordinators to not only assist in information gathering, but also drive real change through the implementation of recommendations. Students can gain practical experience, learn from project experts, and see the tangible impact they can have on the business environment in Kosovo. The annual MCI provides a platform of over 900 potential senior project topics.

This unique opportunity presents students with the chance to build advocacy skills *today* that are necessary in a democratic society as well as gain real-world experience leading change in Kosovo. With true transformational change coming directly from the citizenry, exploration of these policy topics promotes improved participation and demand for greater accountability from government officials. USAID|BEEP will continue to support Kosovo youth to build the skills and confidence for greater democratic participation to drive transformational reform and empower citizens to unleash their unlimited inherent potential.

The Project also awarded the AUK a grant to conduct a conference later this year that will promote academic research on the political economy of Kosovo's economic development and build the capacity of academic institutions to deepen professional linkages between international scholars and Kosovo researchers and policy makers. Following the conference, AUK will publish the proceedings in Albanian and Serbian for policy discussion for locally-applied policy research.

Survey Among Businesses On Level of Interest in Training in Law Related to Business. The Project conducted a survey among 160 businesses -- 20 businesses in each of the eight principal municipalities -- to determine their level of interest in receiving training in the basics of law as it pertains to business. The vast majority of respondents expressed an interest in receiving such training, expressing a preference for a general introduction to business law, and also identifying the law governing tariffs, taxes and tourism as individual areas of particular interest. USAID|BEEP received complete results of the survey in late June.

Component One will analyze the findings more closely and in the coming months explore possibilities for incorporating such training in the training programs of Kosovo institutions and organizations.

NEXT STEPS

MCI 2012 diagnostics and the Municipal Partnership Program. Following the success of reform initiatives in Year Two, Component One will utilize Municipal Coordinators (MCs) to analyze results of the recently released MCI 2012 to develop tailored municipal diagnostics analyses. Based on these diagnostics, MCs will make recommendations to their respective municipal administrations to further improve the local business environment. Partnership Program MCs will take the lead in their respective municipalities with the supervision of the original eight (8) MCs.

An area of particular attention for Year Three is improvement in municipal transparency. While many municipalities have dedicated a portion of their website to publication of municipal documents, others have not. Even for those that do, businesses are sometimes unaware that documents have been made available. Therefore, Component One will work with municipalities to increase transparency and ensure they are serving the public's right to information.

By the end of September, the Project will complete the Partnership Program instruction on the BEEP reform methodology, which in addition to work related to the MCI diagnostic analyses, will cover topics including legal writing, recommendation prioritization, implementation, and monitoring. Component One will monitor performance of the program to ensure they achieve the economic impact of reform and MCI improvement targets.

MCI 2013. USAID|BEEP will conduct the MCI survey for 2013 and develop the follow-on analysis in the Project's final year. The MCI 2013 results will provide the Project with the final measure for determining Project Result 3 performance.

A significant activity for Component One is the institutionalization of the MCI. The Project first will conduct discussions with public and private sector stakeholders to survey the usefulness of the tool and where to best place the responsibility for future MCI activities. The results of these discussions will inform USAID|BEEP's strategy going forward for institutionalizing the MCI.

Model municipal regulations. With respect to developing model regulations, USAID|BEEP plans to work closely with the Association of Kosovo Municipalities (AKM) and conduct training for municipal legal officers on appraising regulations from the point of view of their impact on the business environment and work with the legal officers to develop appropriate model regulations. The Project will then publish them as a revised version of the AKM's manual,

Doing Business reforms. Component One will focus on institutionalizing Doing Business reform implementation so that the project can wrap up and properly transition to the relevant institutions. Doing Business reform initiatives are supply-driven using a third party measure to identify business

environment needs. However, Component One will support the relevant institutions to adopt a demand-driven reform strategy through transparency and openness with private sector counterparts.

Following the release of the Doing Business 2013 report in October, USAID|BEEP will validate the relevant indicators for Kosovo and ensure that all expected updates are captured. Based on the analysis, the Project will identify opportunities for further improvement within the manageable timeframe of the USAID|BEEP's final year and continue to inform the World Bank Doing Business team in Washington D.C. of developments that are expected to impact Kosovo's ranking. Monitoring already-achieved improvements will also be an important part of Year Three.

Construction Law implementation. A crucial component to creating transparency and predictability in land use is the development of a Unified Building Code. The Code will establish the minimum mandatory technical requirements for construction for the protection of public health and safety.

In addition, a wide range of activities will be carried out to further the implementation of the construction law. These include helping MESP develop a number of sub-normative acts under the Law on Construction that will provide further clarification and guidance on a number of salient issues; and providing training to municipal officials and stakeholders on the Law on Construction.

Establishing the minimum mandatory norms will require the adoption of standards by the KSA. USAID|BEEP will explore opportunities with the KSA and other stakeholders to establish a comprehensive standards database to improve the efficiency of internal standards review and the adoption of international standards.

As mandatory standards are adopted, inspecting authorities will need to become familiar with these standards for the purpose of construction inspections. The Project will provide recommendations on the legal acts necessary to establish risk-based inspections to more properly focus valuable resources and reduce the burden on business. While inspections are a necessary part of assessing compliance with regulatory requirements, the level of intrusiveness should be reduced to a minimally necessary level.

Also in the Project's final year, Component One will work with MESP to develop a new Law on Spatial Planning. The Law on Construction requires municipalities to complete urban regulatory plans within a specified time frame. In order to accomplish this, MESP has requested USAID|BEEP's support to develop a single new Law on Spatial Planning (which will replace the two laws currently governing spatial planning) that is consistent with the new Law on Construction. The development of urban regulatory plans will contribute to a more predictable and transparent regulatory framework that defines restrictions on land use. This is important for business investment, helping to secure reasonable

expectations of future use. In addition, Component One will assist MESP to develop recommendations on the Law on Legalization of Existing Constructions. This task requires the Project to take a holistic approach to land use and construction as buildings that have been built in the past without a construction permit will need to be “legalized” to ensure they meet the adopted mandatory technical requirements. While the legalization of illegal constructions is primarily a political question, USAID|BEEP will strongly urge MESP not to begin the process of legalization until technical requirements and qualified construction inspectors are in place.

Permissive System and Inspections. Building on the Project’s work in Year Two, Component One will focus on developing transformational Laws on the Permissive System and Inspections. The initial step is to finalize the Concept Paper and present it to the OPM for comment. These comments will inform the Project’s drafting team as USAID|BEEP supports the OPM to finalize the draft laws.

The OPM has also requested USAID|BEEP’s assistance in developing the criteria by which permissions and inspections will be measured during the guillotine review. As of the beginning of the Year Three planning period, the Project’s strategy is to incorporate these criteria into the respective laws. However, if the government decides to move forward on the guillotine review before the laws are adopted, the Project will assist the reviewing body to develop the criteria using the discussions in the Concept Paper as the basis. (It should be noted that the National Council on Economic Development, which began its activity in recent months, will oversee the Permissive System and Inspections reform, but the NCED is relying on the OLS OPM to conduct the technical work.)

Following adoption of the laws, Component One will assist the OPM to promote and explain the Permissive and Inspection Systems reforms to raise awareness and gain public support. USAID|BEEP will also monitor the draft laws in the Government Meeting and the Assembly and provide recommendations as necessary. Pending their adoption, the Project will provide support to the government as necessary to develop implementing regulations and implement operational reforms.

Law on Normative Acts and the Legal Information Database. Working to improve public access to legal information, USAID|BEEP will work with the Head of the OLS of the OPM to finalize the LNA. The LNA, among other things, will require that any proposed normative act, before coming into force, must be published on the website of the Office of the Official Gazette (OOG). It is also anticipated that the LNA will contain a provision requiring public comment on the OOG website.

A crucial part of harmonizing, rationalizing, and publicizing the legal system in Kosovo is the development of the Legal Information Database.

To continue to improve and harmonize normative acts, the Project will work with the appropriate government counterparts to develop the criteria that will govern a future review of sub-normative acts. This review will help bring sub-normative acts into line with the requirements of a good business environment.

CHALLENGES AND IMPLEMENTATION ISSUES

Construction implementation. As part of the Project's ambitious goals in the area of construction, many tasks must be carried out during USAID|BEEP's final year, including: assisting development and adoption of a Unified Building Code, a new Law on Spatial Planning, a new Law on Legalization of Illegal Constructions, and municipal urban regulatory plans. While the level of commitment of MESP is high, these tasks will prove very resource-intensive. USAID|BEEP has developed an implementation plan with MESP and has planned for resources necessary to undertake these tasks in the Project's final year. The Project is aware of the challenges and has planned appropriately. USAID|BEEP expects a successful completion of these activities and a smooth transition into completion of the project.

Legal Information Database. The Project has experienced certain challenges with regard to the Office of the Official Gazette as it relates to an agreement on the objective of the LID. The OOG expects to continue their current practice of printing and distributing physical paper copies of the Gazette with the goal of using the LID to support distribution of the Gazette. While making public all normative acts in force is a primary goal of the LID, a more comprehensive approach is required beyond that of the OOG. USAID|BEEP will work with the OPM to work out an agreeable strategy to ensure that the LID is treated as a matter of national interest and national policy.

Permissive System and Inspections reform. While the Project has significant buy-in from the OPM to move forward on transformational Permissive System and Inspections reform, the Project expects some natural resistance to the necessary transformational change required. USAID|BEEP will approach this process cautiously and make it as transparent and as inclusive as possible.

Law on Tourism. While the Project has been called upon on several occasions to provide recommendations on the currently circulating, MTI-sponsored draft Law on Tourism, the ministry's approach remains unclear. USAID|BEEP has recommended elimination of various proposed licenses that would govern tourism, letting the market decide on hotel rating systems and related activities. However, the Project's recommendations have been met with stiff resistance within opaque circumstances surrounding the law.

Institutionalization of the MCI. As the Project prepares for the final year of support for the MCI, USAID|BEEP is continuing to explore opportunities for its institutionalization with local counterparts. The MCI has proved to be such a useful tool for driving municipal reforms that its placement following project completion is crucial. The Project will place special importance on finding the MCI the best possible placement in the Project's final year.

COORDINATION

During this project year, USAID|BEEP met with the newly appointed CEO of the Small and Medium Enterprise (SME) Agency and explored avenues of future collaboration. In addition, Component One works very closely with the EU SME project and various USAID projects, including SEAD, GFSI, KPEP, EROL, and KMFAS.

The OPM remains a true leader and champion for transformational business environment reform. Component One anticipates much work with the OPM, including completion of the Laws on the Permissive System and Inspections, the LNA, and the LID.

During the second week of November 2011, the Project met with the Head of the District Commercial Court. USAID|BEEP collaborated with the USAID SEAD project which facilitated the meeting to discuss the difficulties that the court encounters when:

- seeking information from the Business Registration Agency of Kosovo on the status of a business and its registration; and
- requesting the Central Bank to take action against a commercial bank that refuses to take the actions required to enforce a judgment against a client.

The judge reported that both institutions routinely ignore such requests and often fail to acknowledge that the request has been made. USAID|BEEP intends to investigate this situation further since it involves institutions that are venues for work that the project is carrying out.

As described under Component Three, the USAID|BEEP-sponsored draft Law on the Pledge Registry would make it simpler for courts to obtain pledge and lien information by requiring the Pledge Registry to submit certified reports at the court's request.

Again utilizing USAID SEAD's assistance, the Component One team presented to the Ministry of Justice (MoJ) internal Working Group two recommendations for amendments to the Law on Contested Procedure related to improving the "Protecting Investors" indicator. The Senior Legal Advisor of SEAD

facilitated the presentation, strongly supporting USAID|BEEP's recommendations. It is unclear at this time whether the Working Group will move forward with the amendments.

Component One also collaborated with the USAID Young Entrepreneurs Program (YEP) and ESTAK on the development of training for new businesses that will incorporate, among other things, business registration and tax procedures. The Project also attended USAID DEMI's regional conference for municipal officials held in Gjiilan, Pristina, and Peja to provide support and stay apprised of local developments; and has discussed issues related to MOSR with DEMI and GFSI to develop a coordinated approach.

USAID|BEEP met with the team of the new UKAID PSD program many times throughout the Project's second year to discuss future activities and collaboration. Discussions focused primarily on ways in which we could use project resources to improve the capacities of business associations and empower businesses and citizens to stand up against government abuse.

As one of Component One's primary activities for achieving Doing Business improvement, the Project worked closely with MESP on the development and adoption of the Draft Law on Construction. MESP will be a primary counterpart of Component One in the final project year as well.

In early April, USAID|BEEP hosted a representative of the American National Standards Institute (ANSI) to assist in Metrology, Accreditation, Standardization, and Quality (MAS-Q) activities. This visit helped inform Component One planned project activities for the Project's final year as adoption of international construction standards and mandatory technical norms will be crucial for USAID|BEEP's construction implementation work.

Finally, in July USAID|BEEP organized and helped conduct focus group meetings with businesses in Pristina and Gjakova as part of an effort to inform future assistance strategies in Kosovo through a growth diagnostic study. Thirteen (13) businesses attended in Pristina and seven (7) businesses attended in Gjakova.

COMPONENT TWO: REDUCED BARRIERS TO TRADE

C2-1: IMPROVE THE LEGAL FRAMEWORK FOR IMPORT AND EXPORT TRANSACTIONS

Law on External Trade. Work this year on the Law on External Trade continued when the Ministry of Trade and Industry (MTI) requested the Project's assistance to develop a revised Law. Working with the

MTI, USAID|BEEP assisted the development of a new draft which addressed the outdated nature of the law then in force. The Project's goal in developing the new Law was to set a transparent framework for foreign trade based on WTO principles and agreements, as reflected in EU practice. This means that any restrictions on external trade must be transparent, provide the necessary procedural safeguards, and imposed in accordance with international best practice.

Working with the MTI, the Project developed proposed updates for improving the existing Law based on earlier recommendations provided in the Gap Analysis of the Kosovo Legal Framework for External Trade. At the end of September 2011, the Parliamentary Commission held a public hearing on the existing Law on External Trade Activity where USAID|BEEP provided technical advice and discussed all of the proposed changes.

The Parliamentary Commission then held a public hearing on the existing Law on External Trade Activity where the Project provided technical advice and discussed all of the proposed changes. Taking into consideration discussions at the public hearing, USAID|BEEP submitted comprehensive recommendations on the Law to the Deputy Prime



USAID|BEEP Trade Lead discussing the proposed Law on External Trade at the Parliamentary Commission

Minister and Minister of Trade and Industry.

Component Two provided technical support to the MTI and members of the reviewing Parliamentary Commission to ensure that all of USAID|BEEP's recommendations were carefully considered. The Project's assistance came to a successful conclusion as the project-supported Law was adopted by Parliament on November 14 and it was signed into law by the President on December 2, 2011²⁶.

Law on Safeguard Measures. Safeguard measures are one of the three WTO authorized contingency measures that provide remedies to affected parties when faced with increased imports that cause injury

²⁶ Law No. 04/L-048 on External Trade (2011).

to domestic producers of a like product. Governments may take temporary emergency against imports that are hurting domestic producers as long as they follow all proper WTO procedures. During the effective period, safeguard measures allow domestic businesses time to capitalize on productivity improvements and increase market competitiveness.

In mid-August 2011, USAID|BEEP provided technical advice before the Parliamentary Commission for Economic Development, Transport, Infrastructure, Trade and Industry concerning a clause-by-clause review of the Law. Later in August, the Component Two technical team participated in a meeting before the Parliamentary Commission to provide additional technical support and respond to Commission questions regarding the draft. Based on the Project's recommendations, the Kosovo Assembly adopted the new Law on Safeguard Measures on August 31, 2011²⁷.

Under the Law, the MTI must adopt implementing regulations before taking action with regard to invoking trade remedies. Partnering with Government counterparts, the Project developed draft regulations in accordance with international best practices. These regulations have not been adopted by the MTI as of this publication.

Law on Anti-dumping and Countervailing Measures. In early November 2011, the MTI asked the Project to review the Law on Anti-dumping and Countervailing Measures²⁸. The current law invokes European Commission (EC) regulatory actions regarding the application of anti-dumping and countervailing measures in Kosovo. Unfortunately, this means that the law is not able to be applied domestically because the EC regulations provide for an operational role for the European Commission in the administration of anti-dumping and countervailing investigations, and Kosovo is not a member of the European Union (EU). The MTI requested the Project's assistance to harmonize the law for application domestically, while maintaining international best practice.

In February 2012, USAID|BEEP completed its analysis and recommendations for amending the current Law on Anti-dumping and Countervailing Measures. The proposed amendments would, among other things, eliminate all legal references to EC procedures and institutions (again, because Kosovo is not a member of the EU), clarify definitions of terms, and implement the notification requirements of CEFTA when CEFTA requirements apply. Component Two submitted its recommendations to the MTI and held internal technical discussions on the proposed amendments with the Trade Department.

To promote dialogue regarding our recommendations, the Project included technical discussions in a workshop on trade contingency measures. In addition, USAID|BEEP produced the Standard Operating

²⁷ Law No. 04/L-047 on Safeguard Measures on Imports

²⁸ Law No. 03/L-097 on Anti-dumping and Countervailing Measures

Procedures (SOPs) for the application of these trade remedies, which, if adopted, would allow the amended Laws to be applied in Kosovo consistent with international requirements and best practice. Each SOP manual provides an overview of and procedures for investigations, determination of injury and causation, steps to final determination, and a review of the respective law. Component Two will monitor progress of the adoption of the SOPs and the new law.

Law on General Product Safety. In November, Component Two provided the MTI with a critical review of the draft Law on General Product Safety. BEEP presented recommendations to remove unnecessary barriers to trade activity at the Parliamentary Commission on Economic Development, Infrastructure, Trade and Industry meeting to discuss the draft law. The Commission embraced these recommendations and eliminated unnecessary inspections and excessive penalty provisions which would have given arbitrary and discretionary power to MTI officials to unnecessarily regulate the market in Kosovo. This is also important as USAID|BEEP continues its efforts to rationalize the Permissive and Inspections Systems in Kosovo. Parliament passed the new law in early 2012²⁹.

Trade Education Programs. In December 2011 the Project conducted a Workshop on International Trade for Members of Parliament. The objective of the Workshop was to familiarize members on the various aspects of the WTO, what Observer Status would mean for Kosovo, and on the related rights and obligations Kosovo has under the Central European Free Trade Agreement (CEFTA). Similarly, in January – February 2012 USAID|BEEP prepared a proposed update to the Trade Policy of Kosovo 2009 and then conducted a one week training course for MTI and other stakeholders explaining the update.

World Trade Organization (WTO) observer status. In October 2011, the MTI requested that the Project prepare a cost-benefit analysis of WTO observer status for Kosovo and draft the legal instrument for formal application. In November, Component Two prepared the requested analysis which concluded that observer status would be beneficial for the country and a draft legal instrument for Kosovo's application for observer status to the WTO. USAID|BEEP delivered both the analysis and draft legal instrument to the Deputy Minister of Economic Development and Minister of Trade and Industry. The Government has the matter of observer status under review.

Customs Code. Early in the project, the Project identified revisions to the Customs Code then in force as a vehicle for reducing barriers to trade as it did not incorporate many of the important objectives and principles incorporated in the WCO's Revised Kyoto Convention and the 2008 EU Customs Code. A revised Customs Code would provide the legal authority for many internationally accepted trade facilitation measures that were not authorized under the current Code.

²⁹ Law No. 04/L-078 on General Product Safety

Working with the Legal Department at the Ministry of Finance and the Director General of Kosovo Customs, USAID|BEEP developed recommendations to amend the Customs Code and bring it closer to international best practice. Among other things, the proposed amendments focused on:

- **Voluntary Compliance.** A priority activity for modern tax and customs administration is the introduction of ways and means to augment, to the greatest extent possible, voluntary compliance with fiscal law for both direct and indirect taxes. The fundamental basis of modern fiscal law is the principle of *self-declaration*. For both income tax and for customs duty and VAT on imports, the onus in law must be clearly placed on the taxpayer, trader or duly authorized third-party representative to complete a tax return or a customs goods declaration fully and truthfully, and to determine the amount(s) of tax, duty or other levies that are lawfully payable.
- **Risk-based Controls.** The use of risk management and post-clearance audits allows modern customs administrations to accord special, simplified treatment to traders who meet specified criteria, such as a good compliance record, satisfactory audits, and/or the maintenance of records in an approved manner, etc. Traders accorded these privileges may be termed *authorized economic operators*, reducing the time needed to clear goods and the level of effort required on the part of Customs.
- **Transparency.** In conjunction with the principle of self-declaration, the responsibility must on Kosovo Customs to provide technical information in a transparent form and manner that will inform the taxpayer / trader and thus provide the capacity for taxpayers to comply voluntarily with fiscal, customs and trade law.
- **Stakeholder Consultations.** Modern customs laws direct the customs administration to inaugurate a formal consultative mechanism(s) with private sector clients and partners. No such provisions were found in the Customs Code of 2008, representing a major short-coming.
- **Reduced Administrative Discretion.** Pursuant to international customs administration, importers, exporters or their authorized representatives are at liberty to make a declaration under whichever customs procedure they require for their business (import, export, warehousing, transshipment, coastwise carriage, inward processing, etc.) This is a trader's fundamental right and obligation under modern customs practice. There is no valid need for any additional permissions or approvals from Customs officials.
- **Goods Samples.** The Code should provide that in all cases, the sample taken by an officer (for testing related to a determination of classification, value or origin) shall be returned to the

owner. The law must clearly articulate procedures for disposal or return of goods samples taken by Customs.

In March 2012, the Director General of Kosovo Customs agreed to move forward with the Component Two analysis and recommendations. Upon submission, the Project provided technical advice and support on the draft law to the Parliamentary Commission on Economic Development, Infrastructure and Trade & Industry when it reached the Kosovo Assembly. Finally, the revised Customs Code was adopted in Parliament and signed by the President in May 2012³⁰.

Trade and Customs Lexicon. In order to improve the transparency of the trade environment, USAID|BEEP assisted in the preparation of an International Trade, Customs, and Transport lexicon explaining technical terminologies. The Lexicon has a number of useful applications, including use as a training tool for new officers of the MTI or Kosovo Customs; a reference document in conducting international trade negotiations; a source for translators and interpreters in improving communications related to trade and customs matters; and a guide for business representatives and Members of Parliament when it comes to more accurate understandings of the importance and implications of matters related to Kosovo's foreign trade.

C2-2: SUPPORT FOR STREAMLINED IMPORT AND EXPORT PROCESSES

Trading across Borders Scenario Analysis and reduction of import and export documentary requirements. An important tool for assessing reduced barriers to trade efforts in Kosovo is the World Bank's "Doing Business Trading across Borders" annual survey, which measures time, costs, and documents required to import and export goods, using a standard methodology. As reported in the DB Trading across Borders 2012 report, Kosovo currently ranks 131 out of 183 economies studied, in the lowest performance in the region.

In September 2011, Component Two developed the Trading across Borders Scenario Analysis, making recommendations to effect positive change to all indicator measures and reduce the time, costs, and documents required for import and export. The Scenario Analysis addresses recommendations regarding actions to be taken by Kosovo Customs.

Upon receipt of the Scenario Analysis, critical external stakeholders, including the Director General of Customs, the Director of the MTI Trade Department, and MTI Ministerial Advisors, provided valuable input and voiced their willingness to rapidly implement recommendations.

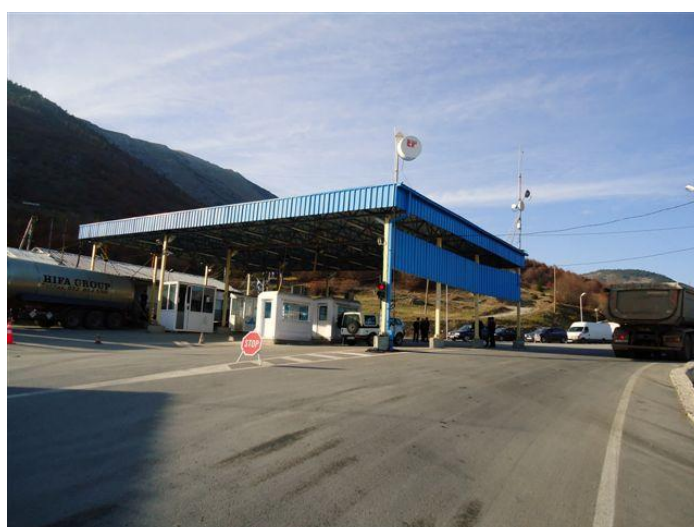
³⁰ Law No. 04/L-099 on Amending and Supplementing the Customs and Excise Code in Kosovo No. 03/L-109.

Subsequently, Kosovo Customs adopted Internal Administrative Instruction No. 01/2011 on October 25, 2011. The new AI eliminates six of the eight documents required for export and five of the eight documents required for import as recorded by the DB 2012 report³¹.

USAID|BEEP's monitoring efforts preliminarily revealed that importers and exporters were continuing to produce unnecessary documents because Customs had not sufficiently advertised this reform. USAID|BEEP quickly focused efforts to inform businesses about the reduced documentary requirements and to monitor implementation, including a comprehensive media campaign, discussions with the Spediteurs Association, and visits to Customs border points.

The Project's follow-on monitoring found that spediteurs were no longer requesting the additional documents from their clients. Based on BEEP recommendations, the Director General of Kosovo Customs ordered that all Customs Offices posted a notification outlining the changes and updated documentary requirements. Particularly important, cost and time savings are realized more effectively now that importers and exporters are aware of the reduced documentation requirements.

Customs import/export registration requirement eliminated. Based on BEEP recommendations, the Director General of Kosovo Customs eliminated the need for import/export businesses to register with Customs for international trade transactions. Only spediteurs are now required to register with Customs as third



Kosovo Customs Border Point

party representatives. In addition, spediteurs must have a power of attorney in order to provide cargo clearance services on behalf of importers and exporters.

In the past, Customs used the registration to assign a unique number to businesses for all import and export transactions, including the payment and tracking of customs import duty and Value Added Tax (VAT). However, businesses are already required to obtain a separate fiscal number from the Tax Administration of Kosovo (TAK) and a business registration number from the Kosovo Business

³¹ According to the AI, the export declaration and accompanying commercial invoice are the only two documents required by Kosovo Customs for export transactions. Similarly, the bill of lading, CMR, and packing list are the only three documents required by Kosovo Customs for import transactions.

Registration Agency (KBRA). To streamline and avoid duplicative processes, Customs made the decision on April 2, 2012 to utilize the TAK fiscal number for all transactions.

Kosovo Food and Veterinary Agency Commitment to Reform. In June 2012, the Project worked with the FVA to solidify their commitment to reduce import and export certifications and streamline cargo examination procedures. Currently, the FVA requires import and export certificates for several of the products under its control mandate, many being unrelated to the protection of public health and safety. These certificates represent unnecessary time, steps, and costs for businesses that result in higher product costs for end users in Kosovo and make domestic producers less competitive in the international market. Throughout the Project's final year, USAID|BEEP will finalize recommendations on the elimination of unnecessary certificates to reduce burdensome barriers to trade and contribute to improved rationalization of the Permissive System. USAID|BEEP will explore also opportunities for Kosovo's unilateral recognition of certificates from others countries to further reduce the need for instances of domestic inspection and certification.

C2-3: BUILD CAPACITY TO INSTITUTIONALIZE TRADE BEST PRACTICE

Trade Policy Working Group. Encouraging open, transparent dialogue with all stakeholders is key to the development of democratic institutions. Improving the business environment depends on meeting the needs of business through identification and elimination of unjustified intervention in private sector activity.



Trade Policy Working Group, Industry Subgroup meeting

With USAID|BEEP support, the GoK this year further developed the Trade Policy Working Group (TPWG) to address trade-related issues, creating a forum for public-private dialogue. The working group is made up of five sector-specific sub-groups on Agriculture; Manufacturers; Trade Agreements; Trade Facilitation; and Services. The TPWG includes

members from the public and private sector, including the MTI, MoF, Kosovo Customs,

Ministry of Agriculture, the Kosovo Chamber of Commerce, AmCham, TAK, and the World Bank. The TPWG is the focal point of all trade issues as Kosovo moves towards membership in the European

Union (EU) and also will be the channel for private sector perspectives as Kosovo moves towards observer status and eventual membership in the WTO.

At the end of November 2011, the TPWG held its first Agriculture Subgroup meeting. During the meeting, the Project intervened on a number of occasions to get participants to focus on specific issues, creating a unified approach to address trade-related concerns. In the past, trade issues were dealt with on an ad hoc basis and created confusion, inconsistency in policy and practice, and unnecessary barriers to business. Addressing private concerns in this way represents a crucially important change in the GoK's approach to governance.

Following the success of the Agriculture Sub-group, the MTI Trade Department asked the Project to assist planning for the first meeting of the Trade Facilitation Sub-group in late December 2011. Component Two provided technical and managerial advice to the Trade Department and made a presentation on state-of-the-art worldwide trade facilitation initiatives from the perspective of Kosovo. A major outcome of the first meeting is that the Sub-group members committed to advocate for a modernized Customs Code based on the 2008 EU Model Code.

At the Trade Facilitation Subgroup in early February, USAID|BEEP presented a concept paper discussing recommended amendments to the Customs Code from the perspective of trade facilitation and modern Customs administration. Here, business representatives on the Subgroup expressed the need for adoption of a number of trade facilitation measures and provisions in the Code, in accordance with



Meeting of the Trade Facilitation Subgroup of the Trade Policy Working Group

international standards. The intention of the presentation was to empower the business community with the necessary technical knowledge and background to advocate for an improved Customs Code. The follow-on advocacy proved critical to adoption of the USAID|BEEP-supported amendment to the Kosovo Customs and Excise Code discussed in C2-I above.

The Industry Subgroup met for the first time in March where six major producers participated in the discussions. BEEP presented reforms in favor of improving the efficiency, productivity, and

competitiveness of domestic exports in regional and international markets. Following this meeting, USAID|BEEP provided significant assistance to track issues noted by businesses for follow-on action by Kosovo Customs and the MTI.

In June, the Project provided guidance to support MTI management on the third plenary session of the TPWG. This included (1) support to review all trade issues raised by businesses in the four project-supported subgroups and actions taken by the GoK in response and (2) an update of the Kosovo Trade Policy (discussed in more detail below). The Deputy Prime Minister for Economic Development chaired this session and outlined next steps for the work of the TPWG under the auspices of the National Council for Economic Development (NCED).

Support to the TPWG is ongoing as USAID|BEEP seeks ways to institutionalize the working group for continued public-private dialogue.

Metrology, Accreditation, Standardization, and Quality (MAS-Q). In addition to streamlining procedures and removing operational hurdles, reducing technical barriers to trade represents a crucial component of improving the trade environment. Establishing a harmonized, rational, and transparent system for the adoption of international standards, creation of mandatory technical requirements, and implementation of an effective system for compliance assessment is an essential part of reducing these technical barriers. These are all pieces of the overall “best practice” MAS-Q framework, which is designed to protect the public health and safety. Technical requirements that go beyond best practice protection are considered technical barriers to trade.

In early August 2011, the Project carried out interviews and fact-finding visits with the Kosovo Metrology Department (KMD), Kosovo Accreditation Directorate (DAK), and Kosovo Standardization Agency (KSA) units at the MTI. Through these interviews, USAID|BEEP identified preliminary issues related to MAS-Q in the Kosovo framework, noting, among other things, the lack of accredited laboratories, an opaque system for adoption of mandatory technical requirements, and the need for improved compliance assessment.

The Project also held a MAS-Q workshop for the relevant officials from the Ministry of Health, the Ministry of Agriculture, Kosovo Customs, the MTI, the Food and Veterinary Agency, and several private sector laboratories, and developed an informative and action-oriented report that was shared with the MTI. The workshop focused on explaining the role of the MAS-Q system in the overall regulatory framework, its importance to trade and competitiveness of domestic goods and services, and unnecessary barriers that individual domestic systems can create.

Based on the Project's findings, USAID|BEEP provided technical assistance for the development of training modules on MAS-Q. Component Two completed a training video package, which can now be used as an e-learning tool, and delivered copies to the Kosovo Chamber of Commerce, the Alliance of Kosovo Businesses, the American Chamber of Commerce, the Exporters' Association, the Clearing Agents' Association, Kosovo Customs, and the Trade Department at the MTI.

Much of USAID|BEEP's future work in this area will be completed through Component One in implementing construction reform. Among other things, this will require adoption of international construction standards through development of a Unified Building Code, support to the KSA through an upgraded database, and improved compliance assessment practices through inspections.

Building the capacity of the trade-related institutions. An important part of Component Two activities to-date has been training trade-related bodies to build local capacities. Working with institutions like Kosovo Customs and the MTI, the Project is "training the trainers" through assistance to implementers for development of skills necessary to continue capacity building well into the future.



Day one of a two-day Component Two training course on international trade

In late November 2011, the MTI and USAID|BEEP reached an agreement on the training Component Two would deliver to the Trade Department. Topics included Standard Operating Procedures on anti-dumping, countervailing and safeguard measures for case officers, including those from Customs, the

MTI, and the Ministry of Agriculture, Forestry and Rural Development. USAID|BEEP completed first drafts of the MTI Standard Operating Procedures and delivered a follow-on training course on these trade contingency measures. Officials who attended the course provided very positive feedback, noting a much improved understanding of procedures required for application of trade contingency measures.

Further, the Project conducted an introductory training course on international trade for officers from the MTI Trade Department and Legal Department, Investment Promotion Agency of Kosovo (IPAK),

Industry Department, Small and Medium Enterprise (SME) Agency, Intellectual Property Office, Customs, Agriculture, Health, Finance, Environment, and Food and Veterinary Agency in early February. This training course provided an overview of the history of international trade, an analysis of the economics of growth related to international trade, economic analysis of trade policy, trends in trade over the last forty years including WTO Agreements, and a perspective looking forward to a new WTO Agreement on Trade Facilitation.

To support future training initiatives, USAID|BEEP presented Kosovo Customs with a DVD recording of the Project's Customs Valuation training course organized and delivered early in 2011 to importers, clearing agents, and customs officers. Also, the Project provided the MTI Training Department with a DVD on our previously-delivered Workshop on "Introduction to MAS-Q." This was further developed into a unique training module for both Kosovo Customs and the MTI.

Transitioning into the Project's third year, Component Two will continue to provide training and capacity building support to the MTI and Customs. However, USAID|BEEP anticipates a stronger focus on working with private sector stakeholders.

Tariff policy update. Throughout the year, the Project provided technical advice on tariff policy to the GoK. Currently, a single tariff rate of customs duty (10%) is assessed on virtually all incoming goods without regard to trade policy. During the initial establishment of basic government institutions in Kosovo, a single tariff was easy to administer, transparent, and provided a mechanism for collection of revenues. Now, however, Kosovo is in a better position to more properly focus tariff policy as domestic institutions are more stable and sophisticated.

To this end, USAID|BEEP worked with ministerial advisors at the MTI, with the Legal Director at the MoFA, with the Director of the Trade Department at the MTI, and with the business community. Together we examined opportunities to adjust tariff policy to better support economic development in the country, with particular concern for infant industries and key agricultural producers.

Based on input from these various stakeholders, the Project prepared a comprehensive "Trade Policy Update" which was presented to the Deputy Prime Minister of Economic Development / Minister of Trade and Industry.

USAID|BEEP informed senior MTI staff of the options available regarding trade policy. As a result, the MTI decided to take up the issue of changing tariff rates with the MoF to create a more favorable and sophisticated trade environment. The Trade Policy Update was a focus of a Component Two training in

February on international trade, attended by officers from the Trade Department, as well as officials from other ministries and private sector stakeholders.

Further, in the spring of 2012, the Project began to provide advice on the negotiations that the Trade Department will lead with the EU on a Stabilization and Association Agreement (SAA) or a Free Trade Agreement (FTA) with the EU. Kosovo trade officials will have to make a decision, along with EU trade officials on the instrument that best serves all interests. USAID|BEEP will also provide an analysis and comments on a prospective free trade agreement between Kosovo and Turkey.

USAID|BEEP will continue to work with private sector advocates and public sector counterparts in developing an independent, reasoned tariff policy for Kosovo. In support of this objective, the Project has engaged the USAID Growth and Fiscal Stability Initiative (GSFI) Project, which is serving in an advisory capacity to the MoF on fiscal policy, and hence, tariff policy.

Liaison with Learning Institutions on WTO. Component Two provided technical training at the University of Business and Technology, the University of Pristina, and the American University in Kosovo on the history and development of the WTO, on practical aspects of the WTO, and advantages Kosovo can realize through closer association with the WTO. The training was very well received by participants, and USAID|BEEP presented the technical training material to university officials for use in future curricula.

C2-4: DEVELOP AND PUBLISH INTERNATIONAL TRADE GUIDE (ITG) TO PROMOTE TRADE PREDICTABILITY

International Trade Guide. A primary barrier to trade activity in Kosovo is the lack of publicly available information and clear guidelines on what is required of those wishing to engage in trade. This leads to arbitrary application of Government intervention and a lack of predictability in the trade regime, further incentivizing extra-legal activity and eroding public trust. To address this problem, Component Two is leading an effort to develop an International Trade Guide (ITG) intended to provide transparency for Kosovo businesses and potential foreign investors in better understanding their obligations and rights when it comes to engaging in and doing business in Kosovo. Working with the relevant ministries, the Project is collecting this information and will consolidate it into a single, publicly-accessible document available to everyone.

This work began in January 2012 where USAID|BEEP held discussions with the Director General of Customs and with the Director of IPAK on the methodology for developing the ITG and for the

strategy to make updates to the ITG sustainable. The Project also reached agreements for participation on development of the ITG with various ministries, including the MoF, Ministry of Agriculture, MESP, the Food and Veterinary Agency, and the MTI.

In February, the MTI Trade Department demonstrated their commitment to completion of the guide when they dedicated an official to work with the Component Two ITG team. Further, the Director General of Kosovo Customs agreed to nominate a customs officer to work with USAID|BEEP on its development, and to include project representatives in the Automated System for Customs Data (ASYCUDA) world training course so that a full understanding can be gained on how the database can be linked or replicated in the ITG for the Integrated Tariff.

In addition, in late March Kosovo Customs provided the Project with a demonstration regarding the Customs Integrated Information System, which includes the trade portal information database. This portal will be linked to and from the website for the ITG.

The first draft of the ITG is expected to be produced in August 2012. From there, USAID|BEEP will obtain additional input and feedback from all stakeholders, and the ITG may then be turned over to the MTI website developer for installation of the guide on the website. The Project will collaborate with the Minister of Trade and Industry to obtain formal approval from Government counterparts in sanctioning the final version of the ITG as an official instrument of the Government of the Republic of Kosovo.

NEXT STEPS

Financial guarantees for trade transactions. In the Project's continued consultations with customs brokers and other private sector stakeholders, they identified the need for additional mechanisms to financially guarantee trade transactions outside of the banking system. Based on USAID|BEEP's meetings with Kosovo Customs and the CBK, it appears that these financial guarantees could be made available simply by registering a new insurance product with the CBK. USAID|BEEP will investigate this issue further as insurance-backed guarantees could provide traders with a cheaper and equally-effective means of guaranteeing trade transactions.

Assistance with the implementation of ASYCUDA World. Kosovo Customs is currently in the process of installing the ASYCUDA World IT system. When fully installed this new IT system should substantially improve trade facilitation and revenue collection. However, the speditours (customs brokers) and other private sector stakeholders are seeking training assistance to adapt to this new IT system that Kosovo Customs with its limited resources cannot fully provide. USAID|BEEP plans to assist with the

implementation of ASYCUDA World by providing this additional training support to spediteurs and other key private sector stakeholders.

Improved public-private dialogue in governance of trade activities. Transparency, predictability, and responsiveness are crucial components to good governance. The Project will explore opportunities to improve all three in Kosovo Customs by working with stakeholders to create greater openness and dialogue. This is important not only at the policy level, but at all administrative levels as well. However, good governance does not stop at dialogue – Customs must be responsive to the needs of traders. In Year Three, USAID|BEEP will provide recommendations and assistance to establish an institutional dialogue mechanism with Customs.

Trade legislation. Building on Component Two's work in Year Two, the Project will finalize recommendations on trade remedy legislation to bring the legal framework closer to international best practice. USAID|BEEP will conclude technical assistance on related implementing regulations and for private sector outreach.

Reducing technical barriers to the importation of construction material. Because construction impacts the startup and expansion of so many businesses, it is critical to reduce technical barriers to the import of construction material. Higher regulatory and operational burdens on the import of these materials are passed on to the citizens of Kosovo through higher costs of goods, fewer jobs, and less business activity. Working with the MTI, TPWG, and other institutions, USAID|BEEP (Component One) will provide recommendations on reducing unnecessary and burdensome barriers to the import of construction material.

Trade capacity building. In addition to legal support, operational assistance is very effective in reducing burdens on businesses and citizens. Component Two will continue technical assistance to the MTI, Kosovo Customs, other government agencies and key private sector stakeholders such as the Spediteurs Association to help institutionalize continued improvements through capacity building. Capacity building in trade-related bodies is an important and on-going activity in Component Two. While the training itself is important, in Year Three a stronger focus will be placed on “training the trainers” to ensure that knowledge is transferred to the institution. Following the completion of the Project, future training activities must be conducted by the institution's trainers to reduce the need for outside assistance. In Year Three, USAID|BEEP will finalize technical and logistical support to the TPWG and its sectoral Subgroups with a keen focus on institutionalizing this dialogue. The goal is to maintain the TPWG as a mechanism for both public-private dialogue and inter-ministerial policy coordination.

Adoption of international standards and mandatory technical requirements. The Kosovo Standardization Agency (KSA) is responsible for adopting minimal technical requirements for products bought and sold domestically. To improve internal operational efficiencies and harmonize standard adoption practices with international norms, Component Two will provide technical assistance to the KSA on the digitization, organization, and adoption of standards. Work with the KSA will also contribute significantly to our Component One activities relating to the adoption of construction technical requirements.

Improving transparency and predictability of the trade regime. Concerning access to trade information, advertisement of rights, and promotion of predictability in trade transactions, the Project's work on development and publication of the ITG represents one of the most important trade activities Component Two is undertaking.

In Year Three, the Project will finalize information gathering activities and complete the draft ITG for stakeholder review. During the review process, public and private sector partners will review the draft and suggest any necessary changes and the private sector will provide feedback based on personal knowledge of trade transactions. Following the feedback period, USAID|BEEP will incorporate updates and improvements and solicit approval from the necessary institutions. Pending final review and approval, the Project will upload the ITG to a dedicated website for publication.

An important part of this process will be to identify and obtain buy-in from a local organization who will embrace responsibility for the ITG's maintenance. Opportunities are not limited to public sector institutions as operation of a trade guide website is a commercially viable option from experience around the world. USAID|BEEP will explore these opportunities and together with USAID and the counterpart select the option that demonstrates the best probability for sustainability.

Food and Veterinary Agency. The Project will work with the FVA to both eliminate unnecessary certification requirements for imports and exports and focus inspections through risk-based compliance assessment. This also supports USAID|BEEP's work under Component One to harmonize the Permissive and Inspections Systems.

CHALLENGES AND IMPLEMENTATION ISSUES

Trade Policy Working Group. While initial enthusiasm drove several preliminary results, the TPWG has been criticized by some private sector participants as non-responsive. In many cases, businesses have voiced their concerns on a variety of trade-related issues with few being addressed by the Government. Component Two continues to provide technical and managerial support to the various TPWG Subgroups, but participant support will continue to fall if results are not achieved. USAID|BEEP is aware

of this issue and will continue to encourage the responsible institutions to embrace private concerns and to be more responsive in taking swift action.

Trade capacity building. As Kosovo adopts reforms and transitions to more sophisticated trade policy measures, the need to provide technical support to Kosovo Customs and the MTI and key private sector stakeholders will continue. While the Project has committed to and delivered a number of workshops and technical briefs, more advanced knowledge and skills are required. USAID|BEEP will continue to occupy a role as a contributor to improving capacity building in trade related bodies, but will focus the Project's final year's activities where there is the highest likelihood of immediate results.

Kosovo International Trade Guide. The ITG is moving forward and the Project anticipates completion in August. However, some ministries have been reluctant to share complete information. This is indicative of the difficulty businesses face in obtaining the same information. Further, even where complete information is submitted, it is sometimes unclear and vague. USAID|BEEP will continue to collect information and finalize the ITG so that it is presented in a user-friendly, easy to understand format.

COORDINATION

The Project has maintained a very strong working relationship with the MTI and Kosovo Customs, collaborating wherever possible to improve Kosovo's business environment. These institutions continue to be critical GoK partners for achieving project activities that reduce barriers to trade. However, in Year 3, USAID|BEEP will shift additional attention to private sector stakeholders concerned with trade issues.

At the request of the MoFA, the Project worked with the Director of the Department for Legal Affairs, Treaties and Human Rights on identifying ways for us to provide technical and legal advice to the Legal Department on international agreements, conventions and organizations, and bilateral agreements. For example, it may soon be possible for Kosovo to join international agreements, such as the TIR Convention, that will improve trade facilitation.

In planning and arranging TPWG Sub-group meetings, USAID|BEEP organized collaboration with the USAID Kosovo Private Enterprise Program (KPEP) and the EU Trade Project, and will continue to work with other projects and donors on activities related to the work of the TPWG. The Project had another opportunity in October to work with USAID KPEP and provide technical advice on preferential trade between Kosovo and the United States. Collaboration with KPEP has been regular, and this is expected to continue.

In late August 2011, the Project met with an International Monetary Fund (IMF) Mission representative to discuss trade issues and revenue generation activities and provided the IMF with an updated briefing on CEFTA, the MTI, and Kosovo Custom's activities and issues. In October, USAID|BEEP also provided technical perspectives on tax administration to the IMF Fiscal Mission.

In August, the Project met with the United Nations Development Program (UNDP) regarding the strategy for Parliamentary review of the Law on External Trade.

USAID|BEEP worked closely with the EU Trade Project to begin work at the MTI to enhance the capture and analysis of trade statistics, nurture trade negotiation skills, and develop the capacity in the Trade Department for economic modeling. Component Two has established a strong mutual link with EU counterparts to improve technical capacities at the MTI.

The Project also provided strategic and technical advice to the International Finance Corporation (IFC) regional project planning team to eliminate redundancies in proposed donor activities and develop more practical activities to serve Kosovo's interest.

In early March, USAID|BEEP took the initiative to host a meeting with the MTI and AmCham to discuss an agenda of collaboration on strategic areas of interest. Also in March, Component Two brought together the Director General of Kosovo Customs and the EU Communications Team Leader to develop strategies for Customs to better inform domestic businesses about trade requirements and provide news information on external trade.

Component Two this year assisted in research and analysis regarding non-tariff barriers (NTBs) for Kosovo's application to the United States Millennium Challenge Corporation (MCC) for threshold country program status.

In mid-April, the Project hosted a representative from the American National Standards Institute (ANSI) for a one-day visit at the MTI. Here, the ANSI representative met with both the Principal Political Advisor and MAS-Q Advisor to the MTI Minister to examine the current status of development of the KSA and the Kosovo Accreditation Directorate (KAD). USAID|BEEP also assisted the ANSI representative in a meeting with a senior officer of the KSA to discuss the ideal IT application for the digitization and sale of international standards.

COMPONENT THREE: REDUCED RISKS OF LENDING IN THE FINANCIAL SECTOR

C3-1: REVIEW WORLD BANK'S DOING BUSINESS REPORT AND MONITOR PERFORMANCE IN THE GETTING CREDIT INDICATOR

Improvement in the World Bank Doing Business indicators is a proven way to demonstrate a better business environment in any country. The project is therefore tasked with improving Kosovo's Doing Business score in those indicators where our work can have an effect. In this regard, Component Three is focused on monitoring and improving the "Getting Credit" indicator. The "Getting Credit" indicator is composed of both the Depth of Credit Information and the Strength of Legal Rights indices³². Improvement in this indicator contributes to USAID|BEEP's Project Result I.

Depth of Credit Information Index validated. At the request of the CBK, Component Three worked closely with the Credit Registry of Kosovo (CRK) to respond to World Bank questionnaire to score Kosovo in the "Getting Credit" indicator. In particular, USAID|BEEP helped to validate and confirm to the World Bank that the more than two years of historical credit information are distributed by the CRK. A question within this index asks "Are more than 2 years of historical credit information distributed?"³³ In the Doing Business 2011 report, the answer was "No" for Kosovo.

Following the Project's research efforts, Component Three sent all corresponding clarifications to the World Bank. As a result, the Doing Business 2012 report recorded a "Yes" for this question capturing the updated information and raising Kosovo's score 1 point in this index. This clarification contributes to USAID|BEEP's Project Result I.

Further, question 3 of the "Depth of Credit Information Index" asks "Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?"³⁴ Currently, Kosovo receives a "No" for this question. Following an inquiry with the WBDB team, they informed the Project that insurance companies are currently *not* considered financial institutions for the purpose of this question. However, the Project worked with the CBK to develop and approve a new Regulation on the Credit Registry³⁵ that allows insurance companies access to the credit information system and requires that they report to the system. Therefore, USAID|BEEP expects to see improvement in this index in the Doing Business 2013 report.

³² World Bank Doing Business Report, Getting Credit indicator:
<http://www.doingbusiness.org/data/exploreeconomies/kosovo/#getting-credit>

³³ World Bank Doing Business Report, Getting Credit indicator:
<http://www.doingbusiness.org/data/exploreeconomies/kosovo/#getting-credit>

³⁴ World Bank Doing Business Report, Getting Credit indicator:
<http://www.doingbusiness.org/data/exploreeconomies/kosovo/#getting-credit>

³⁵ Central Bank of the Republic of Kosovo, Regulation on the Credit Registry (February 24, 2012).

Strength of Legal Rights Index validated. Again as part of validation efforts, the Project analyzed whether businesses can pledge collateral using both specific and general descriptions of assets. In the Doing Business 2011 report, Kosovo records a “No” for question #3 in the Strength of Legal Rights Index, which asks “Does the law allow businesses to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of collateral?”³⁶

After completing an extensive legal review of the pledge regulations and administrative instructions, an analysis of actual records in the registry and information gathered on banking practices in pledging assets, USAID|BEEP discovered that, in fact, a business can pledge collateral using either a general or specific description. The Project immediately sent clarifying information to the World Bank in this regard. However, the Doing Business 2012 report did not reflect this information.

USAID|BEEP is also working with the MTI to develop a draft Law on the Pledge Registry that would allow businesses to pledge a security interest in its movable property without using a specific description of collateral. If a new law passes and includes BEEP’s recommendations, the Project expects to see improvement in this index. Component Three will continue to monitor future DB reports to confirm the improvements on the underlying variables for the Getting Credit indicator.

C3-2: FINALIZE UPGRADE TO THE CBK PUBLIC CREDIT REGISTRY

CRK Software upgrade. One of Component Three’s major accomplishments this year was to gain CBK’s support for an upgrade to the CRK’s software, to facilitate the procuring of a vendor, and the development of the upgrade software.

The process began with a memorandum of understanding signed in November 2011 between the CBK and USAID,



USAID/Kosovo Acting Mission Director, Azza El-Abd (left), and Governor of the CBK, Gani Gerguri (right), at the MoU signing in November

³⁶ World Bank Doing Business Report, Getting Credit indicator:
<http://www.doingbusiness.org/data/exploreeconomies/kosovo/#getting-credit>

whereby the signatories agreed to cooperate in achieving the software upgrade. USAID|BEEP assisted the CRK to design the technical specifications, oversee the procurement process, and sign a contract with a local software vendor.

The upgrade began in March 2012 and is on track to complete at the end of August 2012. In June the software vendor completed preliminary development of the software upgrade and the Project transitioned into the final activities of the Development Phase (shown in the table below). USAID|BEEP assisted internal testing through the end of June and into July where the upgrade showed a significant improvement over the previous software. In July, the software vendor completed the Development Phase, approved by both USAID|BEEP and Central Bank of Kosovo.

The upgrade will improve the speed, accuracy and depth of reporting to and from the CRK. The new technical capabilities will allow the CBK to fill credit report requests faster, deal with credit information disputes more efficiently, and provide more useful information to Central Bank Management, Supervision, Statistics and creditors.

CRK Upgrade Implementation Phases

Phase	Activity
Inception Phase (Phase 1):	Project preparation, Project information collection, Detailed project plan; Project critical path. Specifically: Basic set of execution activities; Definition of the project charter, and in the end Inception report
Functional Requirements Phase (Phase 2):	Parameterization of the project: Functional requirements specification; On site interviews and requirement collection; Requirement gathering; Functional requirement document drafting;
Development Phase (Phase 3):	Development of software upgrade; Development internal testing;
Implementation Phase (Phase 4):	Onsite testing; installation CBK- testing; Testing on CBK – pilot testing with financial institutions; Acceptance test; Installation CBK- production
Monitoring Phase (Phase 5):	Controlling to ensure through regular reviews that potential problems (software bugs) are detected as soon as possible and that preventive actions and/or corrections done
Documentation Phase (Phase 6):	Documentation Phase will supersede the successful execution of the project in all its components: Software development; Training of end users and administrators; Delivery of related documentation; and Successful deployment of software into production environment

Strengthening Central Bank supervisory capacity. To strengthen the capacity of the CBK as a regulator and supervisor of financial institutions, the Project recognized the importance of leveraging the credit registry upgrade so that better information and management reports could be generated. These reports,

in turn, support and facilitate the CBK's supervisory function and help ensure stability of the financial system. Examples of such reports would be those that monitor lending and concentration of risks, trends in loans, and classifications. An early review of needs in the CBK's supervisory department and research and statistics department enabled the Project to identify additional data requirements for inclusion in the credit registry system.

Study Visit to Italy with CBK Staff. To assist preparation of use of the new CRK software and to familiarize CBK officials with modern credit registry practice, USAID|BEEP sponsored a Study Tour visit to the Central Bank of Italy in June. Through work with the CBK, USAID|BEEP made several recommendations on reducing the number of errors that occur in updates to credit information through improved technical and operational improvements. This includes establishment of a transparent and effective data dispute procedure for citizen and business challenges to incorrect information.

The Study Tour to Italy focused on trainings and real-world application examples that met these challenges head-on. The agenda included topics like “Ten Steps to Data Quality”, “Analyzing the Information Environment”, “Real-life Application on the Framework and Methodology”, and “Practical Software Test Automation.”

Results of the tour were aimed to:

- Implement a framework for information quality;
- Develop skills in analyzing the information environment and implementing controls;
- Implement the framework and methodology for real-life application;
- Test software automation and overcome problems; and
- Improve data quality in the CRK.

Participants from the Credit Registry included the Head of the Credit Registry, the Analysis and Development Officer, and a Credit Registry Officer. The Study Tour was a significant contribution to the CRK's ability to transition to the new software. Training and real-world application received were reported by CRK participants as crucial to their success in implementing the new software.

C3-3: SUPPORT FOR LEGAL, REGULATORY, AND INFORMATIONAL REFORM IN THE FINANCIAL SECTOR

To accomplish project objectives, the Component Three team benefited from continual access to and collaboration with all senior officials within the CBK, including the Governor and the two Deputy Governors, and the heads of the CRK, Procurement, Licensing and Regulation, Supervision, and Legal Departments.

USAID|BEEP maintained relationships with all eight commercial banks, several microfinance institutions, and three financial associations. The purpose was to improve their knowledge of the needs and workings of the Credit Registry and to prepare them for the changes associated with the software upgrade.

Ensuring more end users access to the Credit Registry. USAID|BEEP worked with the CBK to develop a new Regulation on the Credit Registry that, among other things, allows insurance companies access to the credit information system and requires that they report to the system and establishes new borrowers' rights protections. A number of important features of the new regulation include:

- **Establishment of data subject rights.** Before the Project began, there were very few requests by businesses and citizens for their own credit reports. There were many reasons for this, including the lack of a clear dispute mechanism for incorrect credit information, credit reports were often difficult to obtain if the individual or business resided outside of Pristina, and credit reports contained unorganized and confusing information without explanation.

To remedy these barriers, the new regulation sets out clear procedures for disputing credit information, provides an option to request and receive credit reports from financial institutions, and establishes improved protections for personal information.

- **Expansion of credit information collected.** The new regulation also expands the amount of credit information that can be collected, while respecting all legal protections for personal information. Expanded credit information allows credit providers to more reliably assess risk, potentially leading to lower interest rates and higher volumes of loans through reduced risks to lending.
- **Improved data protections.** Protection of a data subject's personal information is a top priority when dealing with dissemination of credit information. With this in mind, the USAID|BEEP-sponsored regulation made it very clear when, to whom, and under what circumstances it is permissible to divulge credit information.
- **Expansion of the types of users of the credit information system.** The new regulation expands the types of users of credit information, providing insurance companies access to the

credit information system while leaving the door open for future additions. Insurance companies use credit information to determine more accurate risk for consumers, and they will contribute to the depth of the credit information system. Allowing insurance companies to access the credit information system is also expected to contribute to improved Kosovo performance in the “Getting Credit” indicator in the Doing Business Report 2013.

Collaborating with a dedicated working group on this regulation, Component Three and the CBK finalized the draft in January. Anxious to move forward on transformational reform in this area, the Regulation was approved by the CBK’s Board of Governors in February 2012.

The new Regulation on the Credit Registry is an important part of achieving Project Results 4³⁷ and 5³⁸. In the past, businesses and citizens were unable to satisfactorily and reliably challenge incorrect credit information. Additionally, credit reports had to be requested and obtained in the capital city of Pristina. This was especially difficult for those businesses and citizens that lived far outside the city.

Aimed in part to establish an improved regulatory framework for incentivizing increased use of the credit information system, the new Regulation on the Credit Registry establishes new borrowers' rights that include protection of personal information, the right to block incorrect credit information, access to one free credit report per year, and the ability to request and obtain credit reports all over the country. Utilizing a country-wide credit media campaign (discussed below), USAID|BEEP was able to distribute crucial information on the new rights and procedures, and further discussed the importance of a good credit report for borrowing. This has proved to be a success in our collaborative effort with the CBK to incentivize increased use of the credit information system, increasing credit report requests.

In addition, this year the Project achieved our stated goal of Project Result 4 by adding insurance companies as a type of user of the credit information system through the new Regulation on the Credit Registry. Now in Kosovo, there are five types of users of the credit information system, including banks, non-bank financial institutions, microfinance institutions, leasing companies, and insurance companies. With more users of the credit information system, more credit information is available for assessing risk, contributing to reduced risks to lending and increased access to finance.

Media campaign. Further demonstrating its commitment to improve participation in the credit information system, the CBK released 10,000 USAID|BEEP co-branded informational brochures to the general public. The brochures explain what the Credit Registry of Kosovo is, how borrowers can

³⁷ The goal of Project Result 4 is aimed to increase the number of types of users of the credit information system to five is to increase the number of businesses and citizens that access their own credit reports.

³⁸ Project Result 5 is to increase the number of businesses and citizens that access their own credit reports.

dispute incorrect information contained in their credit reports, and how a good credit record will facilitate a person's receiving a new loan. Use of the CRK by credit providers and borrowers has grown rapidly over the life of the Project. For example, inquiries by banks and microfinance institutions about borrowers reached 923,542 in 2011, up 24% from the prior year, indicating a growing request for credit by both individuals and businesses.

As to other possible users of the credit registry system, the CRK does not have the legal authority to collect credit information from, for example, utility companies. As the Central Bank does not regulate or monitor non-financial institutions, it has no interest in receiving credit information from such entities since it cannot ensure data accuracy. Inaccurate or non-current credit information would compromise the CRK's data base and lead to errors, undermining its credibility.

Draft Law on Pledge Registry. In late September 2011, USAID|BEEP identified the Pledge Registry as a functional area where future project assistance may be useful. Component Three initiated an evaluation of the Pledge Registry and found that current practices were counter to best practice and burdensome to creditors, to the extent that some banks and many MFIs avoid the registration of pledges. An advisor to the MTI asked the Project to provide its input with full commentary and recommendations on their Working Group's draft Law.

Salient features of the draft Law that USAID|BEEP recommended include establishment of the Pledge Registry as a clearing house of pledge and lien information only, and removing the Registry's arbitrary discretion authority; streamlined procedures for the registration of pledges and liens; improved court and financial institution access to the Pledge Registry; and a clearer definition establishing priority position for claims on moveable property. By July, the MTI had submitted a draft Pledge Law to the National Assembly that did not take many of USAID|BEEP's recommendations into account. The Project will continue to monitor the law's progress.

NEXT STEPS

Credit Registry software upgrade. The new software will have extra data fields and new parameters to improve searches for borrowers. It will permit a redesign of the credit report to make it more user-friendly and will enable the generation of various useful reports. USAID|BEEP will assist the CRK to monitor the software vendor and ensure timely completion of the upgrade. Internal testing and report generation is nearing completion as the Project expects to transition to final product testing and system handover in August.

The Project's work will continue with the CRK to ensure proper implementation of the Credit Registry upgrade and the training required by staff and financial institutions. USAID|BEEP is assisting the CRK and data providers to ensure they are ready to receive and monitor the accuracy of new data. As a result of the upgrade, the Project expects more and more businesses and citizens to participate in the credit information system.

Implementing Operational Instruction. Following the Project's work in assisting development of the Regulation on Credit Registry, USAID|BEEP will next begin development of the Operational Instruction to implement it. The Instruction will clearly define the processes for putting the new Regulation into effect, including how to handle credit information disputes, complete credit report requests, and ensure proper data storage and protection at the CRK.

Borrowers' rights as a way to increase the number of requests by citizens and businesses for their own credit reports. The number of requests by businesses and citizens for their own credit reports reveals the extent to which people understand the role of the credit registry and their rights associated with it. Even though laws in Kosovo enable data subjects to access their credit reports, the number of requests is extremely low. The Project has identified a number of activities to increase requests for credit reports.

One step is to continue the efforts of our media campaign to make the public aware of what a credit report is and why it is important. Another will be to identify a pool of borrowers willing to voluntarily request credit reports so USAID|BEEP can then track CBK response times, the percentage of participants indicating their reports containing errors, and the time and success of the error correction process. This monitoring and implementation work will naturally follow from completion of the CBK upgrade.

CBK working groups. Component Three will continue its close collaboration with various CBK working groups to draft and develop implementing Operational Instructions for the new Law on Banks, MFIs and NBFIs and to update the licensing & regulation and supervision manuals at the Central Bank. The CBK has already established a working group to harmonize all banking regulations. The Project will assist this working group to update regulations and internal Operational Instructions as necessary, including work on Rule IX below.

CBK Rule IX. Rule IX of the CBK currently states that "Banks shall review and classify their credit risk exposures on a quarterly basis, at a minimum." Without more frequently mandated updating of each credit's classification, data users will not have the most current information on a borrower's repayment record, increasing their risk when taking additional exposures to a particular borrower. Component

Three will recommend to the CBK that financial institutions be required to report any change in the classification of credits on a monthly basis. Updating Rule IX will provide more timely information for improved risk assessment.

Media outreach. As new developments pertaining to data subjects are implemented (e.g., the Regulation on the Credit Registry), USAID|BEEP will work with the CBK to develop media campaigns to ensure credit report data subjects are aware of the developments. For example, when the CBK implements a streamlined complaints process so that data subjects may challenge incorrect credit report information, the Project will employ a media outreach campaign to inform the public of the complaints process. Completion of the CRK software upgrade expected in August will give rise to a plethora of improvements for businesses and citizens, which will be the subjects of future media outreach.

Bills of exchange and negotiable instruments. Important credit facilitation mechanisms are bills of exchange and negotiable instruments. However, domestic laws governing these mechanisms do not sufficiently address these important negotiable instruments and do not reflect international best practice. USAID|BEEP will provide recommendations to harmonize the governing normative acts with international norms to establish improved credit facilitation mechanisms and improve predictability in the legal regime.

CHALLENGES AND IMPLEMENTATION ISSUES

The CBK has accepted many of the Project's recommendations and reports, but will need to take additional concrete actions in the coming months. Component Three's technical assistance is maximized when the beneficiary takes the lead, so the Project will continue to encourage the CBK to take greater ownership of the implementation of recommendations and greater initiative in taking a demand-driven approach to reform.

Implementation of a completely new system for borrowers' rights will also prove challenging, both internally and externally. The new Regulation on the Credit Registry and upcoming completion of the CRK upgrade will help significantly, but new internal processes at the CBK and on the part of the data providers/financial institutions and the linking of each will be required. USAID|BEEP will assist the CBK to develop an internal Operational Instruction to assist this process and monitor progress through project completion.

Insurance companies are now allowed access to the credit registry, but there is still some hesitancy among CBK officials from the perception of unacceptable practices by a few insurance companies. USAID|BEEP's challenge will be to address these concerns and get final approval.

A new Law on Banks, MFIs and NBFIs was approved in April 2012³⁹. The CBK will change its rules into regulations in the future as they relate to the new law and will need to update many of its manuals. USAID|BEEP is apprised of this challenge and will take steps to address it.

Finally, concerning the draft Law on the Pledge Registry, challenges remain to overcome deeply-seated practices. Currently there exists a semi-operational Pledge Registry software system that has been in development for years. This creates a challenge because efforts are being made to craft the draft law around the software system rather than vice-versa. The MTI, USAID|BEEP, and other donor projects are aware of this issue, and the Project is making recommendations consistent with the idea that the software system should be fashioned around a viable law on the Pledge Registry.

COORDINATION

The financial sector institutions and associations and the CBK are important partners in Component Three work activities, and continued support to foster relations with these and other government agencies will be a central feature in implementation in project year three.

COMPONENT FOUR: MORE TRANSPARENT TENDERS

Component Four is tasked with helping to make more transparent the tendering process for goods and services conducted by Kosovo municipalities; more specifically, to assist at least two of its partner municipalities to introduce on a pilot basis the use of electronic tenders for procurement of local goods and/or services consistent with international best practices.

There has been considerable uncertainty and controversy in Kosovo surrounding donors' efforts to reform procurement, with the EU continuing to advocate for a draft procurement law that was passed over by the National Assembly in September of 2010. Meanwhile, procurement is reported to be problematic and susceptible to corruption at both the national and municipal levels, which was confirmed first-hand from focus group participants in the Project's municipal round tables.

In May 2011, however, the World Bank team announced its intention to launch a procurement reform initiative in Kosovo at the national and municipal levels over the next year. It was subsequently agreed with USAID that BEEP put on hold its own initiative until the scope and direction of the World Bank and EU initiatives become clearer.

³⁹ Law No. 04/L-093 on Banks, Microfinance Institutions and Non-bank Financial Institutions



USAID
FROM THE AMERICAN PEOPLE

KOSOVO

CASE STUDY #1

No Work Permits Means Freedom!

USAID Collaborates with Gjakova to Implement Work Permit Abolition



USAID|BEEP Photo

Advocating for an improved business environment, the USAID Business Enabling Environment Program (BEEP) recommended abolition of the work permit at the national level. The Kosovo Assembly embraced this transformational reform and eliminated its legal basis through an amendment to the Law on Internal Trade.

Crafting is a very old and cherished activity in Kosovo. In the municipality of Gjakova, this tradition has been inherited for years, generation after generation. Most of the crafts are located in the old town of Carshia e Madhe, which was once one of the most active areas for tourism and trade in the country. But, if you take a walk on this historical street today you'll find it nearly abandoned and most of the stores closed.

A major problem for businesses in Gjakova was the over-burdensome administrative requirements. "We have requested so many times to have less administrative requirements, since we cannot withstand them. Government didn't react and so we were left with two choices: close the business or not comply. Most of us chose not to comply because we could not survive without our business. One of the most notable requirements we had from Municipality was the work permit," said one craftsman.

The work permit was required at the national and was identified by the World Bank as an unnecessary barrier to business activity. The permit was issued by municipalities as a way of raising revenue, but lacked the reciprocal benefit of a public service.

But it was not only revenue that was at stake. The craftsman said, "As a consequence of non-compliance, the Municipality sued 506 craftsmen with either 200 Euro each or 13 days in jail." Lacking the ability to pay many feared jail time.

"Fortunately, USAID|BEEP showed up. They invited us to focus groups and it was the first time someone was listening to the problems that we face. After some time, we received information that the law was amended and that the work permit was eliminated. For us, this meant not only money saved, but days of freedom," said the craftsman.

Providing assistance to improve the business environment, USAID|BEEP recognizes that economic prosperity and removal of unnecessary interference positively impacts the livelihood and security of people around the world. Through open and transparent governance that allows the entrepreneurial spirit to flourish, more economic potential and greater prosperity is secured.



USAID
FROM THE AMERICAN PEOPLE

KOSOVO

CASE STUDY #2

Local Governments Embrace Openness and Transparency

USAID Supports Transparency at the Municipal Level



USAID/BEEP Photo

"I had the opportunity for the first time to raise the issues on the obstacles and constraints that my business faces along with other businesses as well, including the work permit, business license fee, transparency, bureaucratic procedures on getting services from relevant governmental bodies, and construction issues." – Zekerja Bytyqi, Edona Construction and Project Management Company, Ferizaj, Kosovo

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Navigating the regulatory environment at the local level was difficult in municipalities all across the country. Businesses often reported that regulations were arbitrarily applied to them, even though they had no access to these rules. In addition, private sector trust of municipal administrations was low as local governments often took action without private sector input.

In many municipalities however, things are looking up. Zekerja Bytyqi runs a construction and project management company in the municipality of Ferizaj. "Comparing the local business environment from just two years ago, there have been significant improvements," he said. "Transparency has been increased; all important regulations and public documents are now published on the website of the municipality. Further, dialogue has been established between the municipality and business community. The budget is now discussed with the business community prior to adoption," said Zekerja.

Zekerja's is just one of over 3,700 businesses in Ferizaj that are benefitting from more transparent local administrations. Not only is an open government a critical component of good governance, it also produces realizable results for businesses. Zekerja reports that "These reforms have enabled us to save time and money in our company's activities. Our company has saved about 1,750 Euros, which was used to improve working conditions, including a new conference room to be used for staff meetings, trainings, and businesses meetings."

Mr. Bytyqi noted the crucial role played by the USAID Business Enabling Environment Program (BEEP) through the organization of focus groups with businesses, identification of private sector issues, and the provision of advocacy support to the Ferizaj municipal administration. "During these focus group discussions, I had the opportunity for the first time to raise these issues on the obstacles and constraints that my business faces," said Zekerja.

Through USAID assistance, improved openness and participation has occurred all over Kosovo. Now, 24 municipalities have embraced the need for transformation and adopted transparency reforms, impacting over 36,000 businesses nation-wide.



USAID
FROM THE AMERICAN PEOPLE

KOSOVO

CASE STUDY #3

Forgiveness of Business Debt Frees Working Capital

Prizren Municipality Promotes Business Expansion and Competitiveness



USAID/BEEP Photo

“Abolition of debts by municipality was very welcome and affected positively my business, because debt had accumulated for a while and I couldn’t pay it at the time.” – Naim Shahini, Natyral, honey producer

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With a lack of appropriate focus on sources of municipal financing and through misapplication of business permits and licenses, Kosovo municipalities often use the regulatory system as a mechanism for revenue-generation. As a result, businesses became less competitive and were often unable to meet tax burdens and fee obligations.

In Prizren, the USAID Business Enabling Environment Program (BEEP) assisted the municipal administration in undertaking intensive efforts to focus the regulatory system on the protection of public health and safety and reduce financial burdens on business. Recognizing past shortcomings, the municipality of Prizren forgave two-thirds of outstanding business debt obligations. This incredible demonstration of political willingness to drive business environment improvement saved local businesses over 2,800,000 Euros (c. \$3,600,000 USD).

Bylent Shondo, a local shoe shop owner, spoke about the impact on his business, saying "This decision saved me 800 Euros, which I used to help renovate my shop and order more raw material." Similar impacts have sprung up all over the city. "From this municipal decision, I have saved about 1,100 Euros and purchased new good to increase turnover," said Naim Shahini, a honey producer in Prizren.

Not only has this decision allowed entrepreneurs to reinvest in their business, but in their communities as well. Evren Gjikolli, a watch and accessory store owner reports, "I saved 1,200 Euros that I used to reinvest in my business. I have also employed another person as a way to try and reduce unemployment in my town."

USAID is providing tailored assistance to municipal administrations throughout Kosovo in an effort to put the local regulatory system on a more rational footing to unlock the unlimited economic potential of domestic businesses. With efforts like these, it is becoming easier and easier to do business in Kosovo.

ANNEX I: PERFORMANCE VERSUS TARGETS SUMMARY

PROJECT RESULT #1: WORLD BANK DOING BUSINESS INDICATORS

BEEP 2011-2012 WBDB PROCESS IMPROVEMENTS

The tables below reflect Kosovo's ranking in each of the World Bank Doing Business 2012 indicators⁴⁰ and will act as the baseline data for future Project Result 1 (PRI) reporting. PRI focuses on a minimum 20 percent average total improvement in the combined underlying variables of the Doing Business indicators for Kosovo by the end of the project.

Because the Doing Business report is titled one year ahead of its year of publication (e.g., Doing Business 2012 was released in October 2011), many of the Project's reforms were not captured in the Doing Business 2012 report. Data collection for this report ended in May 2011, one-three months before many of our project-sponsored, Doing Business-related laws were adopted in Kosovo. To further exacerbate the time lag, reform implementation and realization on the ground takes time. Therefore, we expect a significant improvement in underlying, project-supported Doing Business variables in the Doing Business 2013 report.

PRI. DOING BUSINESS PROCESS SUMMARY		
	2011	2012
Overall Country Ranking	117	117
Starting a Business	165	168
Procedures (number)	10	10
Time (days)	58	58
Cost (% of income per capita)	28.7	26.7
Minimum Capital (% of income per capita)	112.4	104.6
Dealing with Construction Permits	169	171
Procedures (number)	17	17
Time (days)	301	301
Cost (% of income per capita)	833.9	775.8
Getting Electricity	120	124
Procedures (number)	7	7
Time (days)	60	60
Cost (% of income per capita)	1,036.0	1,016.8
Registering Property	66	73

⁴⁰ The World Bank Doing Business 2012, Kosovo: <http://www.doingbusiness.org/data/exploreeconomies/kosovo/>

Procedures (number)	8	8
Time (days)	33	33
Cost (% of property value)	.6	.6
Getting Credit	21	24
Strength of Legal Rights Index (0-10)	8	8
Depth of Credit Information Index (0-6)	5	5
Public Registry Coverage (% of adults)	16.9	20.5
Private Bureau Coverage (% of adults)	0	0
Protecting Investors	172	174
Extent of disclosure Index (0-10)	3	3
Extent of director Liability Index (0-10)	2	2
Ease of Shareholder Suits Index (0-10)	3	3
Strength of Investor Protection Index (0-10)	2.7	2.7
Paying Taxes	45	46
Payments (number per year)	33	33
Time (hours per year)	163	164
Profit Tax (%)	N/A	9.1
Labor Tax and Contributions (%)	N/A	5.6
Other Tax (%)	N/A	0.6
Total Tax Rate (% profit)	16.5	15.4
Trading Across Borders	129	131
Documents to Export (number)	8	8
Time to Export (days)	17	17
Costs to Export (US\$ per container)	2,230	2,270
Documents to Import (number)	8	8
Time to Import (days)	16	16
Costs to Import (US\$ per container)	2,280	2,280
Enforcing Contracts	157	157
Procedures (number)	53	53
Time (days)	420	420
Cost (% of claim)	61.2	61.2
Resolving Insolvency	31	31
Time (years)	2.0	2.0
Cost (% of estate)	15	15
Recovery Rate (cents on the dollar)	57.6	57.4

Note: PRI data is taken directly from the World Bank Doing Business reports and the Doing Business web site.

DOING BUSINESS RANKINGS 2012 (PRI)

DB 2012 European Union Countries

	Overall Country Rank	Starting a Business Rank	Getting Electricity	Dealing with Construction Permits Rank	Registering Property Rank	Getting Credit Rank	Protecting Investors Rank	Paying Taxes Rank	Trading Across Borders Rank	Enforcing Contracts Rank	Resolving Insolvency
Austria	32	134	21	76	21	35	3	21	24	133	82
Belgium	28	36	87	51	87	174	8	64	48	17	77
Bulgaria	59	49	133	128	133	66	8	15	8	46	69
Cyprus	40	33	96	78	96	123	6	42	78	29	37
Czech Republic	64	138	148	68	148	34	4	25	48	97	119
Denmark	5	31	13	10	13	11	3	16	24	29	14
Estonia	24	44	48	89	48	13	3	18	40	65	51
Finland	11	39	25	45	25	25	3	14	40	65	28
France	29	25	62	30	62	149	8	59	48	79	58
Germany	19	98	2	15	2	77	5	40	24	97	89
Greece	100	135	77	41	77	150	11	18	78	155	83
Hungary	51	39	103	55	103	43	4	17	48	122	117
Ireland	10	13	90	27	90	81	5	38	8	5	5
Italy	87	77	109	96	109	84	7	27	98	65	134
Latvia	21	51	84	112	84	32	5	18	4	65	67
Lithuania	27	101	81	47	81	7	3	3	48	65	62
Luxembourg	50	81	63	33	63	134	8	29	150	122	17
Netherlands	31	79	67	99	67	48	5	7	48	111	43
Poland	62	126	64	160	64	89	6	152	8	46	128
Portugal	30	26	34	97	34	31	1	1	126	46	78
Romania	72	63	165	123	165	70	8	26	8	46	154
Slovak Republic	48	76	102	50	102	10	3	17	24	111	130
Slovenia	37	28	27	81	27	79	5	110	98	24	87
Spain	44	133	69	38	69	56	5	13	48	97	48
Sweden	14	46	8	23	8	19	1	7	48	29	50
United Kingdom	7	19	60	22	60	68	6	29	1	10	24
EU Average	39	66	71	65	71	66	5	32	47	68	71
Kosovo	117	168	124	171	73	24	174	46	131	157	31

DB 2012 Top - 40 Countries

	Overall Country Rank	Starting a Business Rank	Getting Electricity	Dealing with Construction Permits Rank	Registering Property Rank	Getting Credit Rank	Protecting Investors Rank	Paying Taxes Rank	Trading Across Borders Rank	Enforcing Contracts Rank	Resolving Insolvency
Singapore	1	4	5	3	5	14	8	2	4	1	12
Hong Kong SAR, China	2	5	4	1	4	57	4	3	3	2	5
New Zealand	3	1	31	2	31	3	4	1	36	27	10
United States	4	13	17	17	17	16	4	5	72	20	7
Denmark	5	31	13	10	13	11	24	29	14	7	32
Norway	6	41	12	60	12	8	48	24	27	9	4
United Kingdom	7	19	60	22	60	68	1	10	24	13	21
Korea, Rep.	8	24	11	26	11	71	8	79	38	4	2
Iceland	9	37	1	34	1	11	40	46	35	81	3
Ireland	10	13	90	27	90	81	8	5	5	21	62
Finland	11	39	25	45	25	25	40	65	28	6	11
Saudi Arabia	12	10	18	4	18	1	48	17	10	18	138
Canada	13	3	156	25	156	41	24	5	8	42	59
Sweden	14	46	8	23	8	19	48	29	50	8	54
Australia	15	2	37	42	37	38	8	65	53	30	17
Georgia	16	7	89	4	89	1	8	17	42	54	41
Thailand	17	78	9	14	9	28	67	13	100	17	24
Malaysia	18	50	59	113	59	59	1	4	41	29	31
Germany	19	98	2	15	2	77	24	97	89	12	8
Japan	20	107	26	63	26	58	24	17	120	16	34
Latvia	21	51	84	112	84	32	4	65	67	15	17
Macedonia, FYR	22	6	121	61	121	49	24	17	26	67	60
Mauritius	23	15	44	53	44	67	78	13	11	21	61
Estonia	24	44	48	89	48	13	40	65	51	3	29
Taiwan, China	25	16	3	87	3	33	67	79	71	23	88
Switzerland	26	85	6	46	6	14	24	166	12	41	23
Lithuania	27	101	81	47	81	7	48	65	62	28	15
Belgium	28	36	87	51	87	174	48	17	77	36	20
France	29	25	62	30	62	149	48	79	58	24	6

Portugal	30	26	34	97	34	31	126	46	78	26	22
Netherlands	31	79	67	99	67	48	48	111	43	13	28
Austria	32	134	21	76	21	35	24	133	82	25	9
United Arab Emirates	33	42	10	12	10	6	78	122	7	5	134
Israel	34	43	93	137	93	147	8	5	59	10	94
South Africa	35	44	124	31	124	76	1	10	44	144	81
Qatar	36	116	18	24	18	37	98	97	2	57	95
Slovenia	37	28	27	81	27	79	98	24	87	50	58
Bahrain	38	82	49	7	49	30	126	79	18	49	114
Chile	39	27	41	90	41	53	48	29	45	62	67
Cyprus	40	33	96	78	96	123	78	29	37	19	105
Kosovo	117	168	124	171	73	24	174	46	131	157	31

DB 2012 Regional Comparison

	Overall Country Rank	Starting a Business Rank	Getting Electricity	Dealing with Construction Permits Rank	Registering Property Rank	Getting Credit Rank	Protecting Investors Rank	Paying Taxes Rank	Trading Across Borders Rank	Enforcing Contracts Rank	Resolving Insolvency
Albania	82	61	154	183	154	118	24	16	152	76	85
Bosnia and Herzegovina	125	162	157	163	157	100	67	97	110	108	125
Bulgaria	59	49	133	128	133	66	8	46	69	91	87
Croatia	80	67	56	143	56	102	48	133	32	100	48
Greece	100	135	77	41	77	150	78	155	83	84	90
Macedonia, FYR	22	6	121	61	121	49	24	17	26	67	60
Montenegro	56	47	71	173	71	108	8	29	108	34	133
Romania	72	63	165	123	165	70	8	46	154	72	56
Serbia	92	92	79	175	79	39	24	79	143	79	104
Slovenia	37	28	27	81	27	79	98	24	87	50	58
Regional Average	73	71	104	127.1	104	88.1	38.7	64.2	96.4	76.1	84.6
Kosovo	117	168	124	171	73	24	174	46	131	157	31

BUSINESS ENVIRONMENT IMPACT TABLE (PR2)

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
1	National	Kosovo businesses were required to pay for a municipal license (work permit) under the Law on Internal Trade, Article 38.3. This costs potential and existing businesses varying degrees of license fees and time. The municipal license under the Law on Internal Trade was also meant to be permanent. However, it was common practice for municipalities to use the municipal license as an annual de facto tax.	BEEP made recommendations and drafted and proposed amendments to the Law on Internal Trade. These recommendations included the removal of the municipal license under Article 38.	The Kosovo Parliament adopted Law No. 04/L-005 on Amending and Supplementing the Law No. 2004/18 on Internal Trade which, under Article 5, removes the requirement for the municipal license.	There is still much confusion surrounding the difference between the municipal license, commonly known as the work permit, and the business license under the Law No. 03/L-049 on Local Government Finance. The WBDB report, in Procedure 5 of Starting a Business, records the requirement for a "Municipality license". It is unclear whether this license is the business license under the Law on Local Government Finance or the municipality license under the Law on Internal Trade. BEEP will continue to investigate this matter further and will report as more information becomes available. We do not think that the removal of the work permit under this amendment removes the "Municipality license" referred to in Step 5 of the DB 2011 report. Businesses report that work permits are issued initially before the business begins its activities and then must be renewed annually. Therefore, the economic calculation incorporates savings for both new and existing businesses on an annual basis. Cost of the work permit and days saved are specific to each municipality since the municipalities were competent to issue the work permit (fees not set at the national level).	See individual municipal calculations below.		\$0
2	Rahovec	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [130 new businesses] x [€115 per work permit] = €14,950 Time Component:	€ 302,380	\$392,090

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						[130 new businesses] x [3 days saved] x [€67 ⁴¹ per day] = €26,130 [1,300 existing businesses] x [3 days saved] x [€67 per day] = €261,300 Total Impact: €302,380		
3	Gjakova	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [400 new businesses] x [€11 per work permit] = €4,400 Time Component: [400 new businesses] x [2 days saved] x [€55 per day] = €44,000 [4,700 existing businesses] x [2 days saved] x [€55 per day] = €517,000 Total Impact: €565,400	€ 565,400	\$733,143
4	Junik	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [8 new businesses] x [€11 per work permit] = €88 Time Component: [8 new businesses] x [2 days saved] x [€67 per day] = €1,072 [86 existing businesses] x [2 days saved] x [€67 per day] = €11,524 Total Impact: €12,684	€ 12,684	\$16,447
5	Dragash	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [99 new businesses] x [€35 per work permit] = €3,465 Time Component: [99 new businesses] x [2 days saved] x [€67 per day] = €13,226	€ 16,691	\$21,643

⁴¹ Average daily revenue figure is derived from the sources of business tax revenue as reported by the Tax Administration of Kosovo (TAK). The three primary types of tax assessed against businesses are corporate income, interest and dividend, and Value Added Tax (VAT); 10%, 20%, and 16% respectively. Utilizing the total amount of tax revenue collected from businesses, the types of taxes assessed, and the respective weights and tax percentage of each, a daily revenue figure of €67 is produced.

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KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						Total Impact: €16,691		
6	Malishevo	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [73 new businesses] x [€51 per work permit] = €3,723 Time Component: [73 new businesses] x [2 days saved] x [€67 per day] = €9,782 Total Impact: €13,505	€ 13,505	\$17,512
7	Mamusha	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [18 new businesses] x [€51 per work permit] = €558 Time Component: [18 new businesses] x [2 days saved] x [€67 per day] = €2,412 Total Impact: €2,970	€ 2,970	\$3,851
8	Suhareka	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [173 new businesses] x [€11 per work permit] = €1,903 Time Component: [173 new businesses] x [2 days saved] x [€67 per day] = €23,182 Total Impact: €25,085	€ 25,085	\$32,527
9	Ferizaj	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [1,227 new businesses] x [€56 per work permit] = €68,712 Time Component: [1,227 new businesses] x [9.85 days saved on average] x [€67 per day] = €809,758 Total Impact: €878,470	€ 878,470	\$1,139,095
10	Gjilan	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [513 new businesses] x [€11 per work permit] = €5,643 Time Component:	€ 364,819	\$473,054

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						[513 new businesses] x [10.45 days saved on average] x [€67 per day] = €359,176 Total Impact: €364,819		
11	Hani i Elezit	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component:[56 new businesses] x [€41 per work permit] = €2,296 Time Component:[56 new businesses] x [6.26 days saved on average] x [€67 per day] = €23,487 Total Impact: €25,783	€ 25,783	\$33,432
12	Kamenica	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [129 new businesses] x [€21 per work permit] = €2,709 [726 existing businesses] x [€11 per work permit] = €7,986 Time Component: [855 businesses] x [20.33 days saved on average] x [€67 per day] = €1,164,604 Total Impact: €1,175,299	€ 1,175,299	\$1,523,987
13	Kaqanik	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [113 new businesses] x [€51 per work permit] = €5,763 Time Component: [113 new businesses] x [8.45 days saved on average] x [€67 per day] = €63,974 Total Impact: €69,737	€ 69,737	\$90,427
14	Shtime	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [101 new businesses] x [€56 per work permit] = €5,656 Time Component: [101 new businesses] x [8.22 days saved on average] x [€67 per day] = €55,624 Total Impact: €61,280	€ 61,280	\$79,461
15	Viti	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component:	€ 85,264	\$110,560

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						[108 new businesses] x [€21 per work permit] = €2,268 Time Component: [108 new businesses] x [11.47 days saved on average] x [€67 per day] = €82,996 Total Impact: €85,264		
16	Fushe Kosove	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [79 new businesses] x [€50 per work permit] = €3,950 Time Component: [79 new businesses] x [2 days saved] x [€67 average revenue per day] = €10,586 Total Savings: €14,536	€ 14,536	\$18,849
17	Mitrovica	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	New Businesses: Cost Component: [371 new businesses] x [€97.5 per permit] = €36,172 Time Component: [371 new businesses] x [18 days saved] x [€67 per day] = €447,426 Existing businesses [1,893 existing businesses] x [8 days saved] x [€67 per day] = €1,014,648 Total Savings: €1,498,246	€ 1,498,246	\$1,942,746
18	Vushtrri	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	New Businesses: Cost Component: [116 new businesses] x [€50 per permit] = €5,800 Time Component: [116 new businesses] x [8.5 days saved] x [€67 per day] = €66,062 Existing businesses [1,240 existing businesses] x [9 days saved] x [€67 per day] =	€ 819,582	\$1,062,736

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						€747,720 Total Savings: €819,582		
19	Skenderaj	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	New Businesses: Cost Component: [116 new businesses] x [€50 per permit] = €5,800 Time Component: [116 new businesses] x [13 days saved] x [€67 per day] = €101,036 Existing businesses [684 existing businesses] x [11 days saved] x [€67 per day] = €504,108 Total Savings: €610,944	€ 610,944	\$792,199
20	Drenas	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	New Businesses: Cost Component: [105 new businesses] x [€50 per permit] = €5,250 Time Component: [105 new businesses] x [15 days saved] x [€67 per day] = €105,525 Existing businesses [839 existing businesses] x [14 days saved] x [€67 per day] = €786,982 Total Savings: €897,757	€ 897,757	\$1,164,104
21	Peja	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component:[300 new businesses] x [€308 per work permit] = €92,400 Time Component:[300 new businesses] x [16.5 days saved on average] x [€67 per day] = €331,650 Total Impact: €424,050	€ 424,050	\$549,857
22	Istog	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [130 new businesses] x [€88 per work permit] = €11,440 Time Component: [130 new businesses] x [13.5	€ 129,025	\$167,304

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						days saved on average] x [€67 per day] = €117,585 Total Impact: €129,025		
23	Klina	See problem details of work permit above.	Same as above.	Same as above.	Same as above. This PR2 is undergoing validation.	Cost Component: [120 new businesses] x [€123 per work permit] = €14,760 Time Component: [120 new businesses] x [11 days saved on average] x [€67 per day] = €88,440 Total Impact: €103,200	€ 103,200	\$133,817
24	Decan	See problem details of work permit above.	Same as above.	Same as above.	Same as above.	Cost Component: [110 new businesses] x [€195 per work permit] = €21,450 Time Component: [110 new businesses] x [14 days saved on average] x [€67 per day] = €103,180 Total Impact: €124,630	€ 124,630	\$161,605
25	Rahovec	See problem details of work permit above.	Same as above.	The Assembly approved the Decision for changing the regulation on compensation of the procedures for conducting inspections for fulfilling technical-sanitary conditions 01 Nr. 1937 in Rahovec.	Same as above.	Cost Component: [130 new businesses] x [€163 average fee] = €21,190 Time Component: [130 new businesses] x [1 day] x [€67 per day] = €8,710 Total Savings: €29,900	€ 29,900	\$38,771
26	Prizren	See problem details of work permit above.		Elimination of 2/3 of public debt.	Public debt forgiveness by the Prizren municipal administration will be calculated as a single occurrence since it is a one-time impact. This impact is assumed to impact all businesses in Prizren and is recorded as a municipality-wide impact.	Cost Savings: Businesses save the entire amount of the forgiven debt. Therefore: [€3,190,174 total debt] x [2/3] = €2,126,783 Time Savings: Businesses save 2 days in regulatory compliance. Therefore: [5,346 businesses involved in the debt forgiveness] x [2 days] x [€67 per day average] =	€ 2,843,147	\$3,686,653

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						€716,364 Total Savings: €2,843,147		
27	Viti	See problem details of work permit above.		Elimination in €300,000 in public debt. Municipality registered 1,700 new properties and will collect property tax to supplement municipal budget.	Public debt forgiveness by the Viti municipal administration will be calculated as a single occurrence since it is a one-time impact. This impact is assumed to impact all businesses in Viti and is recorded as a municipality-wide impact.		€ 300,000	\$389,004
28	Rahovec	See problem details of work permit above.		The mayor of Rahovec began visiting businesses as part of his routine to listen to the issues businesses have.			Unquantifiable PR2 impact. Specific issues identified will be quantified in other results.	\$0
29	Gjakova	(This result has occurred in other municipalities as well and will be referenced later) According to the Law on Access to Legal Documents and Municipal Regulation on Transparency, all official documents must be made public and accessible for everyone. But in practice this was not the case. Municipal websites were empty and officials hesitated to give information/documents without a prior official request.	The BEEP Municipal Change Leaders worked closely with the Municipal Offices for Information, Directories of Administration, and IT specialists to assist them to gather official documents and convince them of the importance of publishing official documents. This institutional change is highly impactful for business operating in these municipalities.	Municipal administrations made documents available on the public website, transitioning those documents into electronic form and posting them. Municipal Coordinators were critical in ensuring proper implementation in close consultation with the local administrations.	The impact of making municipal documents (regulations, etc.) is assumed to impact all businesses in the municipality as each business must consult such documents on an annual basis. Even though the time saved varies from business to business, an average is applied. The average daily rate is based on a reverse calculation using tax collections from the Tax Administration of Kosovo.	Gjakova: [5,100 active registered businesses] x [€67 per day] x [5 days] = €1,708,500	€ 1,708,500	\$2,215,379
30	Peja	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Peja. [3,438 active registered businesses] x [€67 per day] x [5 days] = €1,151,730	€ 1,151,730	\$1,493,426
31	Istog	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Istog. [714 businesses] x [€67 per day] x [5 days] = €239,190	€ 239,190	\$310,153
32	Klina	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above. This PR2 is undergoing validation.	Klina. [772 active registered businesses] x [€67 per day] x [5 days] = €258,620	€ 258,620	\$335,348
33	Mitrovica	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Mitrovica. [1,893 active registered businesses] x [€67 per day] x [3.5 days] = €443,908	€ 443,908	\$575,607
34	Skenderaj	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Skenderaj. [684 active registered businesses] x [€67 per day] x [4	€ 183,312	\$237,697

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						days] = €183,312		
35	Vushtrri	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Vushtrri. [1,240 active registered businesses] x [€67 per day] x [7 days] = €581,560	€ 581,560	\$754,098
36	Drenas	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Drenas. [839 active registered businesses] x [€67 per day] x [5 days] = €281,065	€ 281,065	\$364,452
37	Pristina	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Pristina. [10,494 businesses] x [5 days] x [€67 per day] = €3,515,490	€ 3,515,490	\$4,558,467
38	Fushe Kosove	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Fushe Kosove. [978 business] x [5 days] x [€67 per day] = €327,630	€ 327,630	\$424,831
39	Lipjan	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Lipjan. [1,049 business] x [5 days] x [€67 per day] = €351,415	€ 351,415	\$455,673
40	Novoberde	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Novoberde. [28 business] x [5 days] x [€67 per day] = €9,380	€ 9,380	\$12,163
41	Obiliq	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Obiliq. [340 business] x [5 days] x [€67 per day] = €113,900	€ 113,900	\$147,692
42	Junik	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Junik. [86 existing business] x [5 days] x [€67 per day] = €28,810 [8 new businesses] x [1 day] x [€67 per day] = €536 Total Savings: €29,346	€ 29,346	\$38,052
43	Rahovec	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Rahovec. [1,300 existing business] x [5 days] x [€67 per day] = €435,500 [130 new businesses] x [1 day] x [€67 per day] = €8,710 Total Savings: €444,210	€ 444,210	\$575,998
44	Ferizaj	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Time Component [3,705 businesses] x [5 days] x [€67 per day] = €1,241,175	€ 1,241,175	\$1,609,407
45	Gjilan	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Time Component [2,989 businesses] x [5 days] x [€67 per day] = €1,001,315	€ 1,001,315	\$1,298,386
46	Shtime	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Time Component: [746 businesses] x [5 days] x	€ 249,910	\$324,053

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						[€67 per day] = €249,910		
47	Kamenica	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Time Component: [855 businesses] x [5 days] x [€67 per day] = €286,425	€ 286,425	\$371,402
48	Viti	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Time Component: [892 businesses] x [5 days] x [€67 per day] = €298,820	€ 298,820	\$387,474
49	Kaqanik	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Time Component: [950 businesses] x [5 days] x [€67 per day] = €318,250	€ 318,250	\$412,669
50	Hani i Elezit	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Time Component: [204 businesses] x [5 days] x [€67 per day] = €68,340	€ 68,340	\$88,615
51	Decan	(transparency - municipal website) see above cell	Same as above.	Same as above.	See impact assumptions above.	Decan. [558 active registered businesses] x [€67 per day] x [5 days saved] = €186,930	€ 186,930	\$242,388
52	Peja	BEEP analyzed adopted regulations of the Peja Municipality and noticed that paying for public services was overburdensome and unnecessarily time consuming, even though this field was regulated by the regulation on Municipal Order adopted in 2001. This regulation had many gaps and did not cover all services that the municipality is required to provide to citizens.	BEEP recommended to the Director of Public Services and Legal Officer to update the regulation on Public Services	The new regulation provided new procedures for the way in which payments of public services are made. Now, water supply and waste management bills from public companies can be completed online or through a bank. Businesses are savings a day for payment of the water supply bill and day for the waste collection bill.	Savings are applied to all businesses in Peja as it is assumed that all businesses use city and waste management services. Pursuant to the PR2 methodology requiring conservative estimates, businesses are assumed to save 1 day annually for payments of water and 1 day annually for payments of waste management services.	Time Savings: [3,277 businesses] x [2 days saved] x [€67 per day] = €439,118	€ 439,118	\$569,396
53	Viti	Following elimination of the work permit from the amendment to the Law on Internal Trade, many municipalities switched to the business license under the Law on Local Government Finance. Even before the work permit was eliminated, it was common for municipalities to require the business license. The business license serves no purpose and was an obvious barrier to business activity. However, it remains as a legal instrument available to be used by municipalities.	USAID/BEEP Municipal Coordinators developed and presented recommendations to municipalities to improve the local business environment using the results from the Municipal Competitiveness Index (MCI). Relying on BEEP recommendations, municipalities decided to abolish various business license fees.	Viti eliminated business license fees for three years for all businesses and exempted those businesses from inspections fees for technical acceptance of the business premises. – Viti also eliminated €300,000 in business debt to the municipality and registered over 1,700 additional properties. The municipality eliminated the debt in anticipation of	Business license fees are assessed on an annual basis. Therefore, it is assumed that the elimination of business license fees is captured annually. It is also assumed that all businesses are affected as municipalities have not taken a risk-based approach to the licenses, but rather require the license for all businesses. Days saved and license costs are determined on a municipal basis as issuance of the business license is done at the municipal level (fees	Cost Savings. Business license fees. The Viti municipality had approximately 892 businesses registered. On average, business license fees are €265 and are assessed annually. Therefore, the cost savings for businesses is €236,380. Technical acceptance inspection fees. With approximately 108 new businesses in Viti in 2011 and technical acceptance inspections fees averaging €110, this reform saves new	€ 682,260	\$884,673

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
				greater property tax collections from the new property registrations.	not set at the national level).	businesses €11,880. Elimination of business debt. €300,000 Time Savings. Business license fees. On average, it takes businesses two working days to obtain a business license. Therefore, businesses save [2 days] x [€67 per day average] x [892 businesses] = €119,528 Technical acceptance inspections. On average, it takes two working days to complete the technical acceptance inspection. Therefore, new businesses in Viti save [2 days] x [€67 per day average] x [108 new businesses] = €14,472 Viti total: €682260		
54	Shtime	(business license fee eliminations) see above cell	Same as above.	Same as above.	See impact assumptions above.	Cost Savings: New businesses. The Shtime municipality had 101 newly registered businesses. On average, business licenses cost €235. Therefore, this reform saves new businesses €23,735. Production businesses. The Shtime municipality has 745 production businesses registered. The average business fee for production a production business is €125. Therefore, this reform saves production businesses €93,125 . Time Savings: New businesses. It took new businesses one day to obtain a business license. [101 newly registered business] x [1 day saved] x [€67 per day] = €6,767 Production businesses. It took production businesses one day to pay municipal fees. [745 production businesses] x [1 day saved] x [€67 per day] = €49,915	€ 173,542	\$225,029

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						Shtime Total: €173,542		
55	Junik	(business license fee eliminations) see above cell	Same as above.	Same as above.	See impact assumptions above.	Cost Savings. Business license fees. Business licenses are on average €250. With 86 active registered businesses, the cost component is: [€250 fee] x [86 businesses] = €21,500 Time Savings. Business licenses. It takes on average 2 days for businesses in Junik to obtain a business license. Therefore, the time savings equals: [2 days] x [86 business] x [€67 per day average] = €11,524 Junik Total: €33,024	€ 33,024	\$42,822
56	Gjilan	(business license fee eliminations) see above cell	Same as above.	Same as above.	See impact assumptions above.	Cost Component: Abolition for three years business licenses fees for new businesses. Last year there were 513 newly registered businesses. The average business license fee for new businesses is 250 €. Therefore: [513 businesses] x [€250 fee] = €128,250 Abolition for five years of business licenses fees for businesses involved in production. Last year there were 47 registered production businesses. The average business license fee for a production business €250. [47 businesses] x [€250 fee] = €11,750 Cost Component Total: €140,000 Time Component: New businesses. Businesses spend on average 3 days on regulatory compliance to obtain this license. Therefore: 513 new businesses x 3 days x €67 = €103,113. Production businesses. Businesses spend on average 3 days on regulatory compliance to obtain this license. Therefore: 47 production businesses x 3 days x	€ 252,560	\$327,490

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						€67 = €9,447. Time Component Total: €112,560Gjilan Total: €252,560		
57	Rahovec	(business license fee eliminations) see above cell	Same as above.	The Municipal Assembly approved Regulation 01 Nr. 2303 in Rahovec for facilitating foreign investments and new local businesses.	See impact assumptions above.	Cost Component: Business license fees. There are 132 production businesses in Rahovec. Therefore: [132 production businesses] x [€340 average business license fee] = €44,880 Time Component: Business license fees. [132 businesses] x [1 day] x [€67 per day average] = €8,844 Rahovec Total: €53,724	€ 53,724	\$69,663
58	Rahovec	(business license fee eliminations) see above cell	Same as above.	The Assembly approved the Regulation on taxes, tariffs, fees and fines, Decision 01 Nr. 1939 no June 7, 2011. 1) Abolishes Municipal business license fee first 5 years of operation 2) Reduces business license fee to 50% in the 6th year of operation, conditioning that the company has long term plans of operation. 3) Reduces the following tariffs and fees by 50%: - when converting agricultural land into construction land - when constructing production buildings (reduction /m2) - on all administrative documents: urbanism license, copy of plan, copy of ownership doc., etc.	There were 130 new businesses who registered last year in Rahovec. The business license has a wide range of costs that can be assessed based on a number of different factors. The average cost for a business license in Rahovec is €517.5.	Part (1) Cost Component: [130 new businesses] x [€517.5 average business license cost] = €67,275 Time Component [130 new businesses] x [1 day saved a result of not having to pay for the business license] x [€67 per day average revenue] = €8,710 Total Savings: €75,985 Parts (2) and (3) are undergoing quantification and validation.	€ 75,985	\$98,528
59	Kaqanik	(business license fee eliminations) see above cell	Same as above.	Same as above.	See impact assumptions above.	Cost Component: €59,500 collected last year by the municipality for this fee. Time Component: [950 active registered	€ 186,800	\$242,220

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
						businesses] x [2 days saved on average] x [€67 per day average revenue] = €127,300 Total Savings: €186,800		
60	Decan	(business license fee eliminations) see above cell	Same as above.	The Municipal Assembly of Decan adopted amendments and changes to the Municipal Regulation on Fees, Tariffs and Charges. New production companies employing more than 5 persons are released from payment of the annual business license fee for five years; New production companies will be released from payment of the annual business license fee for three years; and all traditional handicraft businesses will be released from payment of the annual business license fee.	See impact assumptions above.	Cost Component: [110 new businesses] x [€375 per license] = € 41,250; [100 production businesses] x [€375 per license] = € 37,500; [50 handicraft businesses] x [€120 per license] = €6,000 Time Component: [110 new businesses] x [4 days] x [€67 per day] = €29,480 [100 production businesses] x [4 days] x [€67 per day] = €26,800 [50 handicraft businesses] x [4 days] x [€67 per day] = €13,400 Total Savings: €154,430	€ 154,430	\$200,246
61	Klina	(business license fee eliminations) see above cell	Same as above.	The Municipal Assembly of Klina adopted amendments and changes to the Municipal Regulation on Fees, Tariffs and Charges. Newly registered companies are released from payment of the annual business license fee for 18 months, and new and existing production companies will be released from payment of the annual business license fee for five years.	See impact assumptions above. This PR2 is undergoing validation.	Cost Component: [120 new businesses] x [€300 per license] = € 36,000; [100 production businesses] x [€300 per license] = €30,000 Time Component: [120 new businesses] x [4 days] x [€55 per day] = €26,400 [100 production businesses] x [4 days] x [€55 per day] = €22,000 Total Savings: €114,400	€ 114,400	\$148,340
62	Hani i Elezit	(business license fee eliminations) see above cell	Same as above.	The Municipal Assembly of Hani i Elezit adopted the Municipal Regulation on Tariffs, Fees, and Charges, which created the legal basis for:	See impact assumptions above. This PR2 is undergoing quantification and validation.		€ 0	

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
				1. Deduction of business license fee for all businesses by 20%. 2. Abolition of business license fees for two years for new businesses; 3. Abolition of businesses license fees for three years for businesses that employ up to 10 workers; and 4. Abolition of business license fees for five years for businesses that employ more than 10 workers.				
63	Mitrovica	(business license fee eliminations) see above cell	Same as above.	The Municipal Assembly of Mitrovica adopted an amendment to the Regulation on Tariffs, Taxes, and Fines the reduced business license fees in the municipality.	See impact assumptions above. This PR2 is undergoing validation.	Mitrovica. [1,893 active registered businesses] x [200€ average fee saved] = 378,600€	€ 378,600	\$490,923
64	Gjakova	The Gjakova municipality faces a heavy traffic burden. A lot of cars are being parked on the side-walks where the most of the businesses are located. This creates a burden to businesses, especially when it comes to loading or unloading goods.	The BEEP Gjakova MC recommended that the municipality adopt a regulation on tow trucks to make it easier for businesses to move goods and customers to access stores.	The Gjakova municipal administration adopted the new Regulation on Tow Trucks, making it easier for businesses to move goods and for customers to access stores.	Parking has been a notable problem throughout Kosovo. It is assumed that all businesses in the municipality are affected by enforcement of this regulation, making it easier to move goods. It is conservatively estimated that 1 day is saved per year on average.	In Gjakova, it is clear that this regulation has benefited the municipality through improved walking space and openness. However, we cannot sufficiently attribute saved time or costs for businesses to this regulation. Therefore, this reform is unquantifiable for purposes of PR2 results.	€ 0	\$0
65	Vushtrri	The Vushtrri municipality faces a heavy traffic burden. A lot of cars are being parked on the side-walks where the most of the businesses are located. This creates a burden to businesses, especially when it comes to loading or unloading goods.	The BEEP Vushtrri MC recommended that the municipality adopt a regulation on tow trucks to make it easier for businesses to move goods and customers to access stores.	The Vushtrri municipal administration adopted the new Regulation on Tow Trucks, making it easier for businesses to move goods and for customers to access stores.	Parking has been a notable problem throughout Kosovo. It is assumed that all businesses in the municipality are affected by enforcement of this regulation, making it easier to move goods. It is conservatively estimated that 1 day is saved per year on average.	Time Savings: [1,240 businesses] x [1 day] x [€67 per day] = €83,080	€ 83,080	\$107,728
66	Mitrovica		Amendment to Regulation of the Construction of Land. The amendment of this regulation was initiated by the businesses of Mitrovica in the round tables and focus groups meetings			[15 businesses affected] x [€29,400 saved per business] = €441,000	€ 441,000	\$571,836

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
			organized by BEEP. Then this issue was discussed with the Mayor of Mitrovica, and Mayor took the initiative, along with the Director of Urbanism, to lower the price 50% on average. The adoption of the amendment of the regulation was completed by the Municipal Assembly.					
67	Mitrovica	Businesses in the municipality of Mitrovica were interested in investing in the construction of buildings that were above 5 stories high. However, the municipal regulatory plan limited buildings no more than 5 stories.	In collaboration with local businesses, USAID/BEEP recommended to the municipal administration to amend the urban regulatory plan to allow for taller buildings in the area.	The municipal administration agreed and amended the urban regulatory plan to reflect in additional height of buildings. Businesses benefit greatly from this as they are able to house additional employees and create additional revenues.	It is assumed that profits for these three businesses is 40% of the additional cost of goods sold as reported by these businesses, and established the cost savings per business in the PR2 calculation.	[3 businesses] x [€216,000 in additional revenue] = €648,000	€ 648,000	\$840,249
68	National	Starting a LLC in Kosovo required a minimum €1,000 charter capital amount. Small businesses found this especially burdensome as the minimum charter capital requirement suspended use of much of their working capital used in every day operations	BEEP recommended the removal of the minimum charter capital requirement as it was unnecessary, very burdensome, and easy to remove.	The Kosovo Parliament adopted Law No. 04/L-006 on Amending and Supplementing the Law No. 02/L-123 on Business Organizations which, under Article 13.2, removed the minimum charter capital requirement.	It is assumed that all new businesses (LLCs) will be impacted by this reform on an annual basis. Therefore, this PR2 calculation is completed on an annual basis, multiplying the 1,000 Euro savings by the number of new businesses (less those in Pristina, whom are captured in the Doing Business report in the "Starting a Business" indicator). Further, it is conservatively estimated that new businesses save 1 day (also 1 day as estimated by the Doing Business report) through elimination of the charter capital requirement.	Removal of the minimum charter capital requirement makes €1,000 per new business available as new business registration requirements no longer include a minimum capital amount. The cost for opening the bank account and paying the charter capital amount was €5. Also, this amendment saves one step and one day for Starting a Business, according to the WBDB 2011 report. Cost Savings: [€1,000 x 618 new LLC registrations outside of Pristina = €618,000] + [€5 opening bank account and depositing charter capital x 618 new LLCs = €3,090] = €621,090 Time Savings: 1 day x 618 new LLCs x €67 average business revenue per day = €41,406 Total Savings: €662,496	€ 662,496	\$859,046
69	National	Starting a Joint Stock Company in Kosovo	BEEP recommended lowering	The Kosovo Parliament	It is assumed that all new	Reduction of the minimum	€ 2,310,000	\$2,995,332

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
		required a minimum €25,000 charter capital amount. This amount made the formation of JSCs very unattractive and further disincentivized business registration and legalization.	the minimum charter capital requirement because it was unnecessarily high for the protection of the company and creditors and was easy to remove.	adopted Law No. 04/L-006 on Amending and Supplementing the Law No. 02/L-123 on Business Organizations which reduced the minimum charter capital requirement for JSCs from €25,000 to €10,000.	businesses (JSCs) will be impacted by this reform on an annual basis. Therefore, this PR2 calculation is completed on an annual basis, multiplying the 15,000 Euro savings by the number of new businesses. Further, it is conservatively estimated that new businesses save 1 day through reduction of the charter capital requirement.	charter capital requirement makes €15,000 per JSC available as new JSC registration requires €15,000 less in the way of minimum charter capital. Cost Savings: €15,000 x 154 new JSC registrations = €2,310,000		
70	National	Starting a LLC in Kosovo required the payment of a business registration fee of €24. This payment required the business to take one day to pay the registration fee at a bank, leaving less time for operations.	BEEP recommended the reduction of the business registration fee to reflect a cost recovery fee calculation.	The Kosovo Parliament adopted Law No. 04/L-006 on Amending and Supplementing the Law No. 02/L-123 on Business Organizations which, under Article 8, eliminates the business registration fee. The Kosovo Ministry of Trade and Industry issued a Decision on August 9, 2011 that formally instructed the Kosovo Business Registration Agency that no business registration fees shall be collected.	Elimination of the business registration fee is assumed to affect all new businesses in Kosovo (less LLCs in Pristina, whom are captured by the Doing Business report). Further, it is conservatively estimated that new businesses save 1 day of otherwise productive efforts through this reform (also 1 day as estimated by the Doing Business report in the "Starting a Business" indicator).	Eliminating the business registration fee has both time and direct cost savings components. The business registration fee was €24. According to the DB 2011 at Step 3, paying the registration fee at the bank took 1 day. Therefore: Cost Savings: €24 x 5,564 new business registrations per year outside Pristina = €133,536 Time Savings: 1 day x €67 average daily revenue per business x 5,564 new LLCs per year = €372,788 Total Savings: €506,324	€ 506,324	\$656,540
71	National	A World Bank study reports that as documents required to import and export decrease, trade value increases. According to the World Bank Doing Business 2012 report, there are 8 documents required for import (bill of lading, certificate of origin, commercial invoice, CMR, Customs import declaration, packing list, terminal handling receipts, and transit document) and 8 documents required for export (bill of lading, certificate of origin, commercial invoice, CMR, Customs export declaration, packing list, terminal handling receipts, and transit document) in Kosovo. Kosovo ranks 131 out of 183 economies studied, illustrating the burden these documents put on international traders.	USAID BEEP recommended the elimination of several unnecessary and burdensome documents required for import and export. Our Component 2 team compiled these recommendations into its comprehensive Trading across Borders Scenario Analysis. We presented the Scenario Analysis to the Ministry of Trade and Industry and Kosovo Customs,	Kosovo Customs took quick action and issued Internal Administrative Instruction No. 01/2011 on October 25, 2011. This Administrative Instruction reduced the number of documents required to export to 2 (commercial invoice and customs export declaration) and the number of documents required to import to 3 (commercial invoice, customs import declaration, certificate of origin).	This PR2 is undergoing additional quantification and validation. We fully expect that this result will contribute to other important impacts including an increased number of trade transactions, increased total value of imports and exports, and increased domestic investment. However, we will not capture these effects in this PR2 as there are too many confounding variables that contribute to these impacts. This PR2 assumes that each document contributes equally to the total "documents preparation" costs captured by the World Bank Doing Business 2012 report at the	Cost Savings: IMPORT ([5 of 8 documents eliminated for import, or 62.5% of the cost approximately] x [\$300 total cost for import documentation prep according to WB] x [216,567 import transactions]) = \$40,606,312 + EXPORT ([6 of 8 documents eliminated for export, or 75% of the cost approximately] x [\$310 total cost for export documentation prep according to the WB] x [23,853 export transactions]) = \$5,545,822 = TOTAL \$46,152,134		\$46,152,134

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
					"Trading Across Borders" indicator, both for imports and exports. We are in the process of gathering information on time savings for business in reduced document preparation and for government in reduced review times for eliminated documents.			
72	National	The Ministry of Trade and Industry required construction companies to obtain construction licenses. However, construction was regulated through other mechanisms and so these licenses created duplicative and unnecessary burdens for businesses.	USAID BEEP recommended the elimination of construction licenses. To fully abolish these licenses, USAID BEEP recommended the abolition of MTI Decision No. 211, Administrative Instruction No. 2008/20, Administrative Instruction No. 10/2010, and Administrative Instruction No. 02/2011.	The Ministry of Trade and Industry issued Protocol No. 6959 which abolished the aforementioned Decision and three Administrative Instructions, eliminating the construction licenses.	It is assumed that the same number of new construction licenses issued last year would be the same number issued every year if the license remained. Further, the MTI noted that construction companies were required to renew every three years. Therefore, a third of new construction permits are included in this impact calculation since the impact is calculated on an annual basis.	Time Savings: Businesses reported spending 7 days obtaining a construction license. 340 construction license per year x 7 days to obtain a construction license x €67 per day = €159,460 Cost Savings: The MTI issues on average 340 construction licenses per year at an average cost of €650. Further, businesses were required to renew their license every three years, which cost €250.340 construction licenses x €650 = €221,000 340 construction licenses x (1/3 renewal every year) x €250 = €28,333 Total annualized economic impact = €408,793	€ 408,793	\$530,074
73	National	For several years there remained an unresolved long-standing contradiction between the law and practice. The previous Law on Notary, at Article 30, required that documents submitted for business registration that set forth the form of corporate organization, or changes to the form of organization, be notarized. When the previous Law entered into force in 2008, however, there were no notaries in Kosovo. (Licensing of notaries began only in 2011.) As a consequence, it was not possible to register a business in the manner required by law; and, as a result, any business that was registered during this time was susceptible to a finding that it had no legal status and that all of its transactions were null and void.	USAID recommended amending the Law on Notary to eliminate the notarization requirement.	In August 2011, Parliament adopted Law No. 04/L-002 on Amending and Supplementing Law No. 03/L-010 on Notary. The amendment, at Article 6, removed the aforementioned notary requirement and put business regulation on a more rational footing.	Impact calculation and assumptions undergoing development.	At that time this Law was enacted, there were no notaries in Kosovo. Therefore, no figures are available to determine how much time or cost was associated with obtaining notarized documents. Therefore, this PR2 is unquantifiable.		\$0
74	National	According to the Law on Fire Protection,	USAID BEEP recommended the	In August 2011, Law No.	It is assumed that all consents	According to the World Bank	€ 1,373,610	\$1,781,133

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
		the Ministry of Environment and Spatial Planning was required to give consent that the construction drawings (pre-construction) met all fire protection requirements before a construction permit could be issued. However, this consent was duplicative of other construction permitting requirements and represented much discretion on the part of the Ministry. Also, no risk-management approach was used – rather all constructions had to receive the consent of the Ministry.	elimination of this unnecessary fire protection consent for most constructions, and that the Ministry takes a risk-management approach to requiring consents rather than across all constructions.	04/L-012 on Fire Protection came into force that limits construction permitting fire protection consent requirement to inherently risky, special conditions. The new Law requires the Ministry of Internal Affairs to develop an administrative instruction determining the conditions for which such a consent is required.	issued last year would be the same that would have been issued if the consent had not been so severely limited. It is also assumed that the conditions for which a fire consent is required will be so limited that it will not affect the number of consents issued last for the purposes of future impact calculations. Further, we have adopted the days saved as estimated by the Doing Business report.	Doing Business 2012 report, it takes 15 days and costs €50 to obtain the fire consent for construction permits. Cost Component. Last year, 1,302 construction permits were issued requiring a fire consent. Therefore: [1,302 construction permits] x [€50] = €65,100 Time Component: [1,302 construction permits] x [15 days saved] x [€67 per day average revenue of businesses] = €1,308,510 Total Savings: €1,373,610		
75	National	Amendment to the Law on the Establishment of the Immovable Property Rights Register	USAID BEEP recommended an amendment to the Law on the Establishment of the Immovable Property Rights Register to legally require the Kosovo Cadastral Agency (KCA) to calculate fees on a cost-recovery basis.	In August 2011, Law No. 04/L-009 on Amending and Supplementing Law No. 2002/5 on the Establishment of the Immovable Property Rights Register came into effect. Article 2 of the amendment requires the KCA to issue an Administrative Instruction that determines its fees on a cost-recovery basis.	Impact calculation and assumptions undergoing development.	This economic impact is currently unquantifiable because the KCA has not yet issued its Administrative Instruction determining cost-recovery based fees. We will quantify the impact upon the KCA's issuance of the regulation.		\$0
76	National	In the past, businesses had to keep their accounting records in one of Kosovo's official languages: Albanian and Serbian. However, this deterred foreign investment.	USAID BEEP recommended that businesses be allowed to keep accounting records in English as well as Albanian and Serbian.	In August 2011, Law No. 04/L-014 on Accounting, Financial Reporting and Audit came into force which, at Article 8, paragraph 3, allows businesses to keep accounting records in English.	Impact calculation and assumptions undergoing development.	This economic impact is unquantifiable because it is very difficult to sufficiently correlate the implementation of this reform with foreign investment.		\$0
77	National	Under the Law on Cadastre, Municipal Cadastral Offices (MCOs) had thirty (30) days to register a cadastral unit. This extensive period gave MCOs too much discretion, eroding predictability and	USAID BEEP recommended cutting the MCO registration period from thirty (30) days to three (3) days. Further we recommended that registration	In August 2011, Law No. 04/L-013 on Cadastre came into effect which, at Article 13, requires the MCOs to register a	Total transactions in the municipalities average 16,989 per year. While the exact percentage of transfers that are business transactions is unclear, sole	Registration. According to the Doing Business 2012 report, it takes twenty-three (23) days to register property at a MCO. This reform requires that MCOs	€ 14,797,419	\$19,187,525

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
		creating susceptibility to corruption.	fees be calculated on a cost recovery-basis.	cadastral unit within three (3) days. Further, the Law at Article 30 requires the Kosovo Cadastral Agency to determine MCO fees on a cost recovery-basis.	proprietorships account for nearly all businesses in Kosovo, creating many cadastral unit transfers. Therefore, for the purpose of this PR2 calculation, it is assumed that 65% of all cadastral unit transactions are business transactions. Businesses, whether new or existing, transfer cadastral units for the purpose of investment. Therefore, it is assumed that each transfer results in additional business activity.	register the cadastral unit within three (3) days, saving twenty (20) days of otherwise productive business activity. If a business cannot register a property transfer to begin conducting productive activities, there are opportunity costs associated with the delay. Time Component: [16,989 cadastral unit transfers] x [65% business transactions] x [20 days saved] x [€67 per day] = €14,797,419		
78	National	Under the Law on Cadastre, there are no requirements for registration fees to be established on a cost recovery-basis. This led to an extremely high cost for new and existing registrations, using the regulatory system as a revenue-raising mechanism.	We recommended that registration fees be based on cost recovery to reflect the cost of services provided.	Under the project-supported Law on Cadastre, registration fees for existing and new constructions should be based on cost recovery, stating "the KCA shall propose to the Ministry the fees that will be required by MCO for cadastral services which is reasonable and cannot exceed real reproduction and document supply costs." Under the implementing Administrative Instruction No. 05/2012 on Fees and Charges of Cadastral Services and Products Rendered by Municipal Cadastral Offices and Licensed Surveying Companies, the cost for registration was reduced from €4/square meter to just €0.7 per square meter, reducing the cost of registration by a full 82.5%!	The World Bank 2012 Doing Business report captures the cost of new building registrations in its "Dealing with Construction Permits" indicator at Step 16, costing €5,203 per transaction. The World Bank further captures the cost of registering existing properties in its "Registering Property" indicator at Step 7, costing €21. This PR2 deals only with registration of new properties described in its "Dealing with Construction Permits" indicator. Only properties with a construction permit can be registered in the Cadastre, and last year 1,302 new construction permits were issued.	[1,302 new building registrations] x [(€4-€0.7)/€4 (new and old per square meter charge)] x [€5,203 per registration] = €5,588,802	€ 5,588,802	\$7,246,891
79	National	To obtain a construction permit, businesses were required to develop their project plans by an authorized designer and then have those plans reviewed by a separate	Through our project-sponsored draft Law on Construction, we recommended that this step be eliminated as the municipality	On May 31, 2012, the Kosovo Parliament adopted our project-sponsored Law on	According to the World Bank Doing Business 2012 report at the "Dealing with Construction Permits" indicator at Step 3, it	Time Savings: [1,302 construction permits issued last year] x [5 days saved per transaction] x [€67 daily	€ 436,170	\$565,573

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
		authorized designer. This created unnecessary duplicate steps and additional costs.	was responsible for reviewing plans once the application for the permit was submitted by the applicant.	Construction, incorporating this recommendation.	took 5 days to obtain this project validation. With 1,302 construction permits issued last year, businesses save a significant amount of time by not having to complete this step.	revenue average] = €436,170		
80	National	To obtain a construction permit, businesses were required to notify the Planning, Urbanism and Construction Directorate of the Municipality before the start of construction work.	Through our project-sponsored draft Law on Construction, we recommended that this step be eliminated as clear phases of construction inspections were established, eliminating the need to notify the municipality about the beginning of construction.	On May 31, 2012, the Kosovo Parliament adopted our project-sponsored Law on Construction, incorporating this recommendation.	According to the World Bank Doing Business 2012 report at the "Dealing with Construction Permits" indicator at Step 9, it took 1 day to make this notification. With 1,302 construction permits issued last year, businesses save one day for each of these transactions.	[1,302 construction permits issued last year] x [1 day saved per transaction] x [€67 daily revenue average] = €87,234	€ 87,234	\$113,115
81	National	To obtain a construction permit, businesses were required to request technical approval of the building by the Municipal Technical Commission .	Through our project-sponsored draft Law on Construction, we recommended that this step be eliminated as clear phases of construction inspections were established, and this initial request was no longer required because inspections would take place throughout pre-determined phases of construction under the new Law on Construction.	On May 31, 2012, the Kosovo Parliament adopted our project-sponsored Law on Construction, incorporating this recommendation.	According to the World Bank Doing Business 2012 report at "Dealing with Construction Permits" indicator at Step 13, it took 1 day and cost €30 to request this technical approval. With 1,302 construction permits issued last year, businesses save the time and costs associated with elimination of this request.	Time Component: [1,302 construction permits issued] x [1 day saved] x [€67 daily average revenue] = €87,234 Cost Component: [1,302 construction permits issued] x [€30 per request] = €39,060 Total Savings: €126,294	€ 126,294	\$163,763
82	National	To obtain a construction permit, businesses are required to obtain a technical approval of the building by the Municipal Technical Commission and obtain a usage permit (occupancy certificate). In the past, it took businesses 39 days to obtain the occupancy certificate, well beyond international best practice.	Through our project-sponsored draft Law on Construction, we recommended incorporating the "silence is consent" principle for a number of requirements under the law. This principle essentially states that after some pre-determined period of time following application, if the authorized permitting authority does not respond, the permit, certificate, etc. (in this case, the occupancy certificate) be legally deemed issued.	On May 31, 2012, the Kosovo Parliament adopted our project-sponsored Law on Construction, incorporating this recommendation. The silence is consent principle requires that the authorized permitting body issue the occupancy certificate within 15 days following application, drastically reducing the required time.	According to the World Bank Doing Business 2012 report at the "Dealing with Construction Permits" indicator at Step 14, it takes 39 days and costs €10 to obtain the occupancy certificate. With 1,302 construction permits issued last year, businesses save the time and costs associated with elimination of this request.	Time Component: [1,302 construction permits issued] x [24 days saved] x [€67 average daily revenue] = €2,093,616 Cost Component: [1,302 construction permits issued] x [€10 cost for the occupancy certificate] = €13,020 Total Savings: €2,106,636	€ 2,106,636	\$2,731,634
83	National	Previously, businesses who did not meet the threshold income levels for required Value Added Tax (VAT) registration could still register for VAT through a registration with Kosovo Customs if they wanted to import	Our C2 team recommended in 2011 that this Customs registration be eliminated and that Customs use the already existing fiscal number (issued by	Decision of the Director General of Kosovo Customs		In 2011, 1,443 businesses registered with Customs for import/export at a cost of €12.50 per registration and taking 1 day to obtain.	€ 114,718	\$148,753

KOSOVO								
No.	Initiative / City	Problem Details	Recommendations	Result	Impact Assumptions	Calculation	Impact (€)	Impact (\$)
		or export. However, these businesses already had two unique identifying numbers: the business registration number and fiscal number.	TAK) as the unique identifier.			<p>Therefore, the economic impact is as follows:</p> <p>Cost Component: [1,443 businesses] x [€12.50 per registration] = €18,037</p> <p>Time Component: [1,443 businesses] x [1 day] x [€67 per day] = €96,681</p> <p>Total Impact: €114,718</p>		
Project Result 2 Total					\$119,958,960			

PROJECT RESULT #2: ECONOMIC IMPACT OF REFORMS

Project Result 2 (PR2) measures the estimated economic impact of reforms by contract year across all constraint changes other than national-level reforms captured directly by the World Bank Doing Business processes. USAID|BEEP Year Two summarized results are shown in the table below and are detailed above in the Business Environment Impact Table (PR2). The PBMP does not have annual PR2 targets, but rather has a total PR2 target of 10 times the USAID investment in the project over the duration of BEEP.

PR2. BUSINESS ENVIRONMENT IMPACT	
	Year 2
Business Environment annual impact (\$).	\$119,958,960

PROJECT RESULT #3: PERCENTAGE IMPROVEMENT IN THE MUNICIPAL COMPETITIVENESS INDEX (MCI)

The Municipal Competitiveness Index (MCI) 2011 for Kosovo was completed and the launch event was held on July 12, 2011. Results of this MCI will serve as the basis for the measurement of our success in PR3.

Municipality scores are based on eight weighted sub-indices. It is possible to score a total of 10 points for each of the eight sub-indices, making 80 a perfect score. Already we have seen much success through our diagnostic analyses and recommendations based on the MCI 2012. The table below illustrates the percent change in raw score for each municipality in each of the MCI sub-indices.

Overall, we saw remarkable results as cumulatively all municipalities improved on average 14%. Results for our eight (8) primary municipalities were even more impressive with an average score improvement of 19%.

MCI 2011 and 2012 Sub-Index Comparison (PR3)

Municipality	Barriers to Business Entry 2011	Barriers to Business Entry 2012	Percent Change		Transparency 2011	Transparency 2012	Percent Change
Decan	6.17	7.18	16.38%		5.88	4.92	-16.33%
Dragash	5.33	5.64	5.88%		5.28	4.79	-9.35%
Ferizaj	6.76	6.48	-4.22%		4.11	5.39	31.03%
Fushe Kosova	6.30	6.70	6.35%		3.69	5.67	53.52%
Gjakova	6.92	5.96	-13.92%		5.73	4.99	-12.98%
Gjilan	6.25	6.36	1.83%		4.71	5.27	11.77%
Glogovac	5.80	6.26	8.07%		5.13	5.41	5.62%
Gracanica	7.04	6.04	-14.25%		1.84	5.39	193.53%
Hani i Elezit	5.79	6.67	15.12%		5.79	7.74	33.65%
Istog	5.26	6.26	18.94%		5.36	2.84	-46.91%
Junik	4.94	6.90	39.70%		5.88	4.22	-28.18%
Kacanik	7.63	8.13	6.52%		5.15	6.14	19.18%
Kamenica	5.41	8.03	48.43%		5.28	7.39	39.93%
Klina	6.42	8.25	28.53%		3.50	5.48	56.85%
Klllokot	6.17	5.86	-4.99%		3.92	6.30	60.63%
Leposaviq	5.69	6.33	11.19%		-	7.02	-
Lipjan	7.82	7.95	1.71%		5.66	4.47	-20.94%
L-ZP-Zvecan	5.69	5.28	-7.25%		6.33	5.83	-7.94%
Malisheva	6.61	7.31	10.65%		3.83	5.55	45.12%
Mamushe	7.45	6.61	-11.37%		7.89	3.60	-54.33%
Mitrovica	6.76	7.29	7.75%		3.66	4.76	29.97%
Novo Brdo	6.33	6.42	1.33%		5.70	6.26	9.89%
Obiliq	4.14	6.37	53.67%		5.41	5.34	-1.37%
Peja	6.35	6.11	-3.70%		3.58	4.31	20.62%
Podujeva	5.13	6.48	26.34%		4.67	4.17	-10.80%
Pristina	6.60	6.47	-2.02%		6.08	5.56	-8.52%
Prizren	6.64	6.87	3.45%		6.33	4.38	-30.71%
Rahovec	6.56	7.01	6.84%		6.14	4.74	-22.83%
Shterpce	4.51	5.65	25.31%		5.22	4.43	-15.17%
Shtimja	6.33	7.12	12.33%		5.49	6.80	23.69%

Skenderaj	5.78	6.03	4.33%		4.72	7.11	50.57%
Suharek	4.86	7.40	52.34%		5.87	6.59	12.11%
Vitia	5.97	6.40	7.17%		4.52	5.94	31.24%
Vushtrri	5.56	6.66	19.78%		5.90	5.32	-9.84%
Zubin Potok	-	5.92	-		-	6.89	-
Zvecan	-	3.73	-		-	3.86	-
Municipality	Participation and Predictability 2011	Participation and Predictability 2012	Percent Change		Time Costs 2011	Time Costs 2012	Percent Change
Decan	2.09	2.28	9.34%		6.24	5.62	-10.01%
Dragash	2.50	1.74	-30.30%		4.25	5.05	18.98%
Ferizaj	1.45	2.46	69.83%		4.81	3.91	-18.78%
Fushe Kosova	2.80	1.29	-53.84%		5.39	5.42	0.57%
Gjakova	2.13	3.30	55.06%		5.39	3.41	-36.71%
Gjilan	2.95	2.40	-18.50%		4.48	4.92	9.82%
Glogovac	1.95	1.50	-23.51%		4.74	5.11	7.71%
Gracanica	1.09	1.56	43.35%		7.23	5.56	-23.14%
Hani i Elezit	2.62	4.22	60.97%		5.88	6.34	7.90%
Istog	1.65	1.00	-39.31%		4.48	3.86	-13.89%
Junik	1.81	4.54	150.69%		6.34	6.29	-0.81%
Kacanik	1.75	2.69	53.57%		4.40	5.87	33.56%
Kamenica	2.29	4.04	76.82%		4.43	6.62	49.46%
Klina	1.34	1.25	-6.97%		4.34	6.10	40.34%
Klllokot	1.99	2.25	13.07%		3.95	5.53	40.09%
Leposaviq	-	1.00	-		-	4.34	-
Lipjan	1.16	1.38	19.11%		4.61	5.20	12.77%
L-ZP-Zvecan	1.25	1.17	-6.76%		4.11	4.72	14.80%
Malisheva	2.39	2.08	-12.88%		6.25	6.73	7.68%
Mamushe	8.03	2.15	-73.20%		5.72	6.98	22.16%
Mitrovica	1.68	1.43	-14.78%		4.13	5.34	29.36%
Novo Brdo	2.91	4.66	59.87%		5.80	5.16	-11.10%
Obiliq	1.34	2.17	62.24%		4.31	6.33	46.91%
Peja	1.16	1.88	61.75%		3.21	4.08	26.92%

Podujeva	1.10	1.29	17.88%		3.11	3.41	9.71%
Pristina	1.25	1.20	-4.64%		6.05	5.58	-7.76%
Prizren	2.70	1.50	-44.70%		5.52	5.28	-4.31%
Rahovec	1.93	1.45	-24.95%		5.60	5.15	-8.08%
Shterpce	1.32	1.88	42.78%		6.57	6.67	1.56%
Shtimja	1.71	3.03	76.64%		4.45	6.17	38.67%
Skenderaj	2.98	3.43	15.21%		4.81	4.49	-6.68%
Suharek	2.25	1.77	-21.68%		6.13	4.54	-25.86%
Vitia	2.13	2.33	9.53%		4.59	5.06	10.30%
Vushtrri	1.61	2.28	41.71%		3.43	4.29	25.01%
Zubin Potok	-	1.70	-		-	4.39	-
Zvecan	-	1.00	-		-	5.33	-

Municipality	Taxes and Fees 2011	Taxes and Fees 2012	Percent Change		Municipal Administration 2011	Municipal Administration 2012	Percent Change
Decan	6.88	7.65	11.25%		5.95	6.61	11.09%
Dragash	7.09	9.15	29.17%		6.46	6.09	-5.84%
Ferizaj	6.77	7.76	14.54%		4.98	3.57	-28.19%
Fushe Kosova	7.89	6.35	-19.56%		6.20	2.71	-56.27%
Gjakova	6.69	9.01	34.59%		7.04	5.82	-17.43%
Gjilan	7.88	7.51	-4.65%		6.81	5.44	-20.14%
Glogovac	6.76	8.28	22.42%		5.30	3.95	-25.45%
Gracanica	6.86	6.05	-11.86%		4.42	4.62	4.58%
Hani i Elezit	6.28	8.52	35.61%		6.25	6.98	11.64%
Istog	5.03	8.18	62.61%		5.33	5.13	-3.70%
Junik	5.25	7.71	46.76%		5.15	6.49	26.19%
Kacanik	6.93	7.13	2.78%		5.32	5.45	2.43%
Kamenica	6.49	8.66	33.37%		5.10	7.48	46.55%
Klina	6.59	6.65	0.94%		4.44	6.03	35.77%
Klllokot	8.04	7.02	-12.66%		4.06	5.14	26.57%
Leposaviq	6.40	9.03	41.16%		-	5.67	-
Lipjan	6.52	7.67	17.56%		5.39	4.77	-11.50%
L-ZP-Zvecan	-	7.78	-		5.80	4.75	-18.07%

Malisheva	7.99	6.90	-13.63%		6.46	5.59	-13.50%
Mamushe	8.74	7.32	-16.22%		9.19	6.12	-33.41%
Mitrovica	7.89	8.29	5.00%		6.01	5.52	-8.18%
Novo Brdo	6.46	9.06	40.29%		4.68	6.20	32.69%
Obiliq	6.12	6.63	8.33%		4.36	2.92	-33.07%
Peja	6.59	6.32	-4.13%		2.81	5.64	100.75%
Podujeva	7.81	7.24	-7.30%		6.23	6.63	6.36%
Pristina	6.83	7.68	12.49%		4.53	4.85	7.18%
Prizren	6.99	7.99	14.40%		5.93	4.73	-20.26%
Rahovec	5.10	7.94	55.76%		4.40	5.28	19.98%
Shterpce	8.16	8.66	6.18%		4.18	5.64	34.81%
Shtimja	6.76	7.75	14.56%		5.56	6.72	20.72%
Skenderaj	7.10	7.33	3.20%		6.45	6.39	-1.08%
Suharek	7.65	7.04	-7.94%		6.13	4.32	-29.63%
Vitia	7.20	7.86	9.24%		5.24	5.34	1.98%
Vushtrri	4.79	6.65	38.91%		5.92	6.39	8.02%
Zubin Potok	-	8.41	-		-	5.45	-
Zvecan	-	6.03	-		-	3.31	-

Municipality	Labor and Business Support Services 2011	Labor and Business Support Services 2012	Percent Change		Municipal Infrastructure 2011	Municipal Infrastructure 2012	Percent Change
Decan	4.38	6.11	39.60%		8.10	8.26	1.96%
Dragash	5.28	4.78	-9.38%		8.16	7.57	-7.24%
Ferizaj	5.44	7.55	38.85%		8.07	6.83	-15.40%
Fushe Kosova	3.83	6.49	69.51%		5.22	3.89	-25.44%
Gjakova	4.47	6.51	45.65%		6.27	6.57	4.81%
Gjilan	6.69	5.44	-18.69%		8.56	7.72	-9.90%
Glogovac	4.95	5.03	1.47%		4.84	4.15	-14.39%
Gracanica	3.30	5.88	78.53%		5.11	9.01	76.23%
Hani i Elezit	6.90	5.12	-25.78%		7.40	7.74	4.62%
Istog	8.40	2.01	-76.04%		9.11	7.33	-19.56%
Junik	2.75	6.34	130.68%		5.58	8.05	44.23%
Kacanik	4.75	3.50	-26.37%		8.05	5.36	-33.35%

Kamenica	4.99	4.90	-1.80%		5.26	8.57	63.04%
Klina	5.64	3.75	-33.56%		5.85	6.25	6.87%
Klllokot	5.77	3.08	-46.56%		3.39	3.97	17.42%
Leposaviq	-	5.83	-		-	4.17	-
Lipjan	5.21	4.58	-12.15%		6.26	6.18	-1.26%
L-ZP-Zvecan	3.93	6.63	68.64%		4.95	4.26	-13.89%
Malisheva	4.11	6.29	52.89%		6.74	7.58	12.47%
Mamushe	3.19	4.62	44.72%		5.30	7.20	35.79%
Mitrovica	3.44	4.26	23.81%		7.05	8.04	14.05%
Novo Brdo	3.03	4.09	35.33%		5.11	6.45	26.22%
Obiliq	2.91	6.74	131.33%		4.83	4.93	2.19%
Peja	2.74	5.66	106.80%		7.18	8.11	12.96%
Podujeva	7.65	8.54	11.55%		7.77	7.48	-3.78%
Pristina	4.71	4.71	-0.16%		6.18	5.22	-15.45%
Prizren	3.03	4.83	59.50%		7.51	5.98	-20.27%
Rahovec	5.73	6.24	9.04%		5.31	6.36	19.75%
Shterpce	1.45	5.25	262.24%		3.50	5.62	60.79%
Shtimja	5.31	5.23	-1.55%		7.03	7.81	11.03%
Skenderaj	4.99	6.00	20.17%		6.90	6.52	-5.57%
Suharek	4.25	7.19	69.26%		8.17	5.73	-29.95%
Vitia	2.77	2.64	-4.70%		6.46	6.91	6.85%
Vushtrri	2.51	6.13	144.15%		2.66	6.09	129.42%
Zubin Potok	-	4.80	-		-	3.64	-
Zvecan	-	8.65	-		-	4.76	-

Percent Change in all Municipalities	+14.04%
Percent Change in 8 Core Municipalities	+19.34%

PROJECT RESULT #4: NUMBER OF TYPES OF USERS OF THE CREDIT INFORMATION SYSTEM

Currently, the types of users of the credit information system are defined by the Law on the Central Bank stating that the Central Bank of Kosovo (CBK) may “disseminate credit information among financial institutions...”⁴² In this project year, USAID|BEEP reached its target of five (5) types of users of the credit information system. With addition of insurance companies through adoption of the project-supported Regulation on the Credit Registry in February 2012, there are now five (5) types of users including banks, non-banks, microfinance institutions, and leasing companies.

PROJECT RESULT #5: NUMBER OF REQUESTS BY BUSINESSES AND CITIZENS FOR THEIR OWN CREDIT REPORTS

Citizens and businesses in Kosovo do not request their own credit reports for a number of reasons, including their lack of understanding of the credit information system, the difficulty in obtaining a credit report (could only be requested at the CBK in the capital city of Pristina), unclear and unsatisfactory procedures for disputing incorrect credit information, and a general lack of awareness of the importance of maintaining a good credit status.

Over the last project year, we assisted increased use of the credit information on a number of fronts, including development of the recently adopted Regulation on the Credit Registry, establishment of improved borrowers’ rights protections, and distribution of informative brochures on the Credit Registry and the importance of a good credit score.

For the entire year of 2011, we saw 398 credit report requests by businesses and citizens for their own credit reports. Already this year, we have seen 313, demonstrating a noticeable improvement in the number of requests.

In agreement with USAID, we have set a target of 80 credit report requests by businesses and citizens per month from August 1, 2012 – July 27, 2013. With targeted successful completion of the Credit Registry upgrade at the end of August 2012, we expect to be able to achieve this ambitious goal.

	2011	2012
Requests by businesses and citizens for their own credit report	484 ⁴³	313 (Jan-July)

⁴² Law No. 03/L-209 on the Central Bank of the Republic of Kosovo, Art. 24.1 (2010)

⁴³ This is the number of requests for the entire year of 2011. For purposes of calculating total requests for this project year, 253 credit reports were requested from July 2011 thru December 2011. In addition to the 313 requests thru in 2012 thru July, the total number of requests for this project year is 566.

ANNEX 2: SUPPLEMENTAL REPORTING

In addition to results-based reporting, BEEP provides supplemental data to assist with USAID Mission-required reporting in relevant areas. Below are the Supplemental Reporting requirements described in the PBMP.

A. NUMBER OF TRAINING EVENTS AND PARTICIPANTS

During Year I, there were a total of 21 training events with 826 participants.

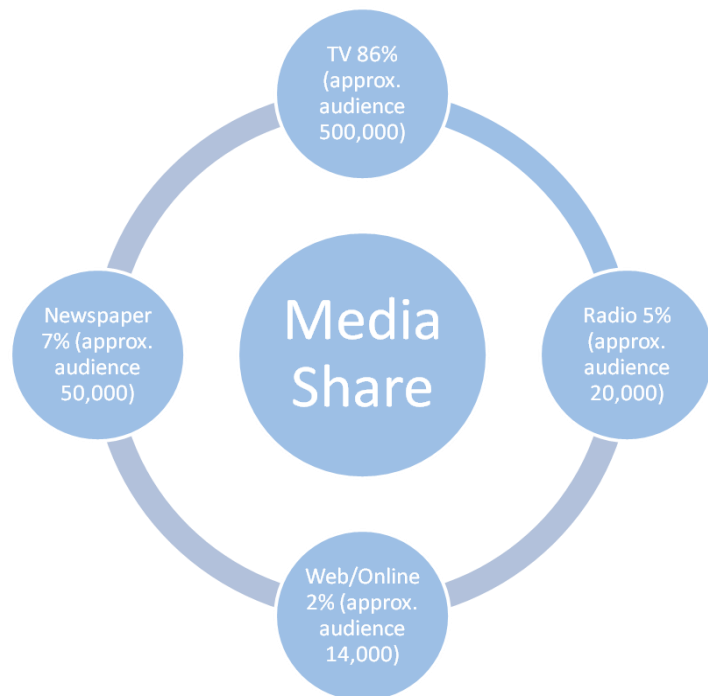
Event Tracking Table						
Description	Date	Place	No. of Participants	BEEP Component	Gender M/F	Ethnicity
1. Trade Policy Working Group	11/30/2010	Hotel Victory, Pristina	78	II	63 M, 15 F	68 K. Albanian, 10 Internationals
2. Joint Media Event (BEEP, SEAD, DEMI, KPEP)	12/21/2010	Kaga Bar, Pristina	20	Cross-Component	15 M, 5 F	16 K. Albanians, 4 K. Serbs
3. Customs Valuations Training	1/11/2011 - 1/13/2011	Centrum Hotel, Prizren	32	II	30 M, 2 F	32 K. Albanians
4. Establishing Partnerships in BEEP	1/13/2011	Hotel Victory, Pristina	38	I	29 M, 9 F	38 K. Albanians
5. Establishing Partnerships in BEEP	1/14/2011	Restaurant Jaffa, Mitrovica	28	I	23 M, 5 F	26 K. Albanians, 2 K. Serbs
6. Establishing Partnerships in BEEP	1/18/2011	Centrum Hotel, Prizren	26	I	22 M, 4 F	24 K. Albanians, 2 K. Bosnians
7. Customs Valuations Training	1/18/2011 - 1/20/2011	Restaurant Univers, Peja	45	II	36 M, 9 F	45 K. Albanians
8. Establishing Partnerships in BEEP	1/20/2011	Restaurant Ognjiste, Gracanica	20	I	17 M, 3 F	20 K. Serbs
9. Establishing Partnerships in BEEP	1/21/2011	Hotel Bolero, Ferizaj	30	I	28 M, 2 F	30 K. Albanians
10. Customs Valuation Training	1/25/2011 - 1/27/2011	Restaurant Jaffa, Mitrovica	27	II	25 M, 2 F	27 K. Albanians
11. Establishing Partnerships in BEEP	1/26/2011	Carshia e Jupave, Gjakove	42	I	33 M, 9 F	42 K. Albanians
12. Establishing Partnerships in BEEP	1/27/2011	Restaurant Univers,	48	I	42 M, 6 F	46 K. Albanians, 2 K. Bosnians

		Peja				
13. Customs Valuation Training	2/1/2011 - 2/3/2011	Hotel Victory, Pristina	50	II	44 M, 6 F	50 K. Albanians
14. First Struga Retreat (Macedonia)	2/6/2011 - 2/12/2011	Hotel Dream, Struga	38	Cross-Component	35 M, 3 F	35 K. Albanians, 3 Internationals
15. Bansko Retreat (Bulgaria)	4/10/2011 - 4/14/2011	Hotel Kempinski, Bansko	54	Cross-Component	43 M, 11 F	40 K. Albanians, 14 Internationals
16. Establishing Partnerships in BEEP	4/13/2011	Restaurant Kod Lipe, Strpce	16	I	15 M, 1 F	16 K. Serbs
17. Establishing Partnerships in BEEP	4/15/2011	Hotel Kristal, Gjilan	22	I	17 M, 5 F	22 K. Albanians
18. DB Reforms Launch Event	4/28/2011	Hotel Victory, Pristina	77	Cross-Component	64 M, 13 F	59 K. Albanians, 2 K. Serbs, 3 K. Turks, 13 Internationals
19. Credit Reporting Workshop	5/11/2011 - 5/13/2011	Emerald Hotel, Pristina	39	III	26 M, 13 F	35 K. Albanians, 4 Internationals
20. Second Struga Retreat (Macedonia)	6/7/2011 - 6/12/-2011	Hotel Dream, Struga	38	Cross-Component	29 M, 9 F	33 K. Albanians, 5 Internationals
21. Credit Reporting Workshop	6/13/2011 - 6/14/2011	Hotel Victory, Pristina	58	III	39 M, 19 F	53 K. Albanians, 5 Internationals
22. MCI Launch Event 2011	12.07.2011	Hotel Victory, Pristina	90	Cross-Component	73M / 17F	84 K. Albanians, 2 K. Serbs, 4 Internationals
23. MAS-Q Workshop I	27.07.2011	IPAK	23	II	18M / 5F	22 K. Albanians, 2 K.Serbs, 1 International
24. MAS-Q Workshop II	05.08.2011	IPAK	10	II	9M / 1F	10 K. Albanians
25. Georgia Study Tour	23.09.2011	Tbilisi and Batumi	16	Cross-Component	14M / 2F	16 K. Albanians
26. CBK Memorandum of Understanding Signing	15.11.2011	Central Bank of Kosovo	-	III	-	-

27. Technical Training on Trade Remedies	13.02.2012	Hotel Afa, Pristina	28	II	19M / 9F	27 K. Albanians, 1 International
28. Technical Training on Antidumping	16.02.2012	Hotel Afa, Pristina	28	II	19M/ 9F	27 K. Albanians, 1 International
29. Study Tour Istanbul for Islamic Finance Training	18.05.2012	Istanbul	3	III	3F	2 K. Albanians, 1 K. Turk
30. Study Tour to Turkey for Best Construction Practices	06.06.2012	Istanbul	20	I	15M / 5F	20 K. Albanians
31. Study Tour to Central Credit Registry of Italy	18.06.2012	Rome	3	IIII	1M / 2F	3 K. Albanians
32. MCI Launch Event 2012	26.06.2012	Hotel Emerald, Pristina	113	Cross-Component	83M/ 30F	91 K. Albanians, 14 K. Serbs, 8 Internationals

B. MEDIA PRODUCTS CREATED, SUPPORTED, DISTRIBUTED

Throughout this reporting period, BEEP closely monitored activities which had media coverage on television, newspaper, radio, web news agencies, and other online sources. Project staff collected, and continues to collect, data related to the frequency BEEP-specific activities are in the media. With 50 media products reaching out through media outlets including television, radio, newspaper, and web news agencies, total potential media contacts were over 7.3 million (including repeat contacts).

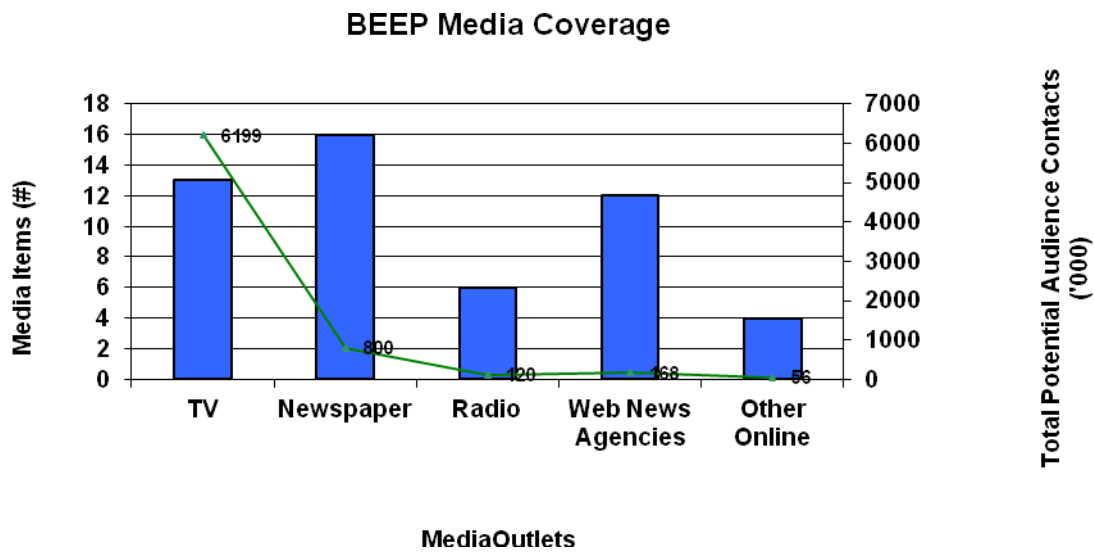


Media products included outreach such as business partnership roundtables under Component One, Customs Valuation trainings under Component Two, workshops on enhancing credit reporting and credit registry under Component

Three, and the MCI report publication and awards ceremony. Specific media appearances include an exclusive interview conducted with the Pristina Municipal Coordinator on RTV21 who presented BEEP project objectives and the importance of Doing Business Reforms and their economic impact based on the example of Georgia. The Component One Team Leader, Brian Kemple, was interviewed on Radio KIM.

Another way that BEEP is “getting the message out” about business environment reform is through the project’s Special Studies and Projects Fund. In June 2011, BEEP awarded a grant to R&B Consult, a local television production firm, to produce 32 television shows on business environment reform issues. The show is called “Indeksi”, each episode is 45 minutes in length, and airs on the Kosovo Business Channel (a cable television channel owned by R& B Consult), and on RTK (the national public television channel and occupies roughly one-third of the media landscape in Kosovo and is simultaneously broadcasted through satellite programming in the United States, Europe, and Canada for Kosovo diaspora viewers). Four shows have been aired since July 2011 discussing the general direction and scope of BEEP activities, the WBDB Report, the MCI, to international trade issues (metrology, standardization, accreditation), and government initiatives to reform the business environment.

The following chart illustrates the total number of times BEEP was mentioned in the media and the total estimated target audience reached for each.



Media Tracking Table

Subject	Media	Channel Type	Date of Publication	Language	Approx. Audience (Kosovo population 2,000,000)
1. Trade Policy Working Group in Pristina	Blue Skye	National Radio	11/30/2010	Albanian, Serbian	Blue Skye represents approximately 5% of the total Radio share
2. Trade Policy Working Group in Pristina	Kosovo Info	Internet	11/30/2010	Albanian	Average number of clicks on News Agency website is approximately 14,000; no exact figures available for Kosovo Info
3. Trade Policy Working Group in Pristina	KTV	National Television	11/30/2010	Albanian	KTV represents approximately 25% of the total TV share
4. Trade Policy Working Group in Pristina	Parajsa	Internet News Agency	11/30/2010	Albanian	Average number of clicks on News Agency website is approximately 14,000; no figures available for Parajsa
5. Customs Valuation Training in Prizren	TV Opinioni	Local Television	1/11/2011-1/13/2011	Albanian	Local Television represents approximately 7% of the total TV share
6. Customs Valuation Training in Prizren	TV Balkan	Local Television	1/11/2011-1/13/2011	Albanian	Local Television represents approximately 7% of the total TV share
7. Trade Policy Working Group in Pristina	Lajam Newspaper	Daily Newspaper	1/12/2011	Albanian	Lajam Newspaper represents approximately 3% of the total Newspaper share
8. Roundtable on Establishing Partnerships in BEEP in Pristina	Bota Sot Newspaper	Daily Newspaper	1/13/2011	Albanian	Bota Sot Newspaper represents approximately 4% of the total Newspaper share
9. Roundtable on Establishing Partnerships in BEEP in Pristina	Bota Sot Online	Daily Newspaper Online	1/13/2011	Albanian	Average number of clicks on News Agency website is approximately 14,000; no exact figures available for Bota Sot Online
10. Roundtable on Establishing Partnerships in BEEP in Pristina	Epoka e Re Newspaper	Daily Newspaper	1/13/2011	Albanian	Epoka e Re Newspaper represents approximately 2% of the total Newspaper share
11. Roundtable on Establishing Partnerships in BEEP in Pristina	Express Newspaper	Daily Newspaper	1/13/2011	Albanian	Express Newspaper represents approximately 2% of the total Newspaper share
12. Roundtable on Establishing Partnerships in BEEP in Pristina	Infopress Newspaper	Daily Newspaper	1/13/2011	Albanian	Infopress Newspaper represents approximately 2% of the total Newspaper share
13. Roundtable on Establishing Partnerships in BEEP in Pristina	Koha Ditore Newspaper	Daily Newspaper	1/13/2011	Albanian	Koha Ditore Newspaper represents approximately 18% of the total Newspaper share
14. Roundtable on Establishing	Koha Online	Daily Newspaper	1/13/2011	Albanian	Average number of clicks on News

Partnerships in BEEP in Pristina		Online			Agency website is approximately 14,000; no exact figures available for Koha Online
15. Roundtable on Establishing Partnerships in BEEP in Pristina	Kosova Sot Newspaper	Daily Newspaper	1/13/2011	Albanian	Kosova Sot Newspaper represents approximately 14% of the total Newspaper share
16. Roundtable on Establishing Partnerships in BEEP in Pristina	Lajam Newspaper	Daily Newspaper	1/13/2011	Albanian	Lajam Newspaper represents approximately 3% of the total Newspaper share
17. Roundtable on Establishing Partnerships in BEEP in Pristina	Telegrafi	Internet News Agency	1/13/2011	Albanian	Average number of clicks on Telegrafi News Agency website is approximately 14,000
18. Roundtable on Establishing Partnerships in BEEP in Pristina	RTK	National Television	1/13/2011	Albanian, Serbian, Bosnian, Turkish	RTK represents approximately 28% of the total TV share
19. Roundtable on Establishing Partnerships in BEEP in Pristina	TV Syri	Local Television	1/13/2011	Albanian	Local Television represents approximately 25% of the total TV share
20. Roundtable on Establishing Partnerships in BEEP in Pristina	RTV 21	National Television	1/13/2011	Albanian	RTV 21 represents approximately 25% of the total TV share
21. Customs Valuation Training in Peja	Kosova Live	Internet News Agency	1/18/2011	Albanian	Average number of clicks on News Agency website is approximately 14,000; no exact figures available for Kosova Live
22. Roundtable on Establishing Partnerships in BEEP in Prizren	TV Opinioni	Local Television	1/18/2011	Albanian	Local Television represents approximately 7% of the total TV share
23. Roundtable on Establishing Partnerships in BEEP in Prizren	TV Balkan	Local Television	1/18/2011	Albanian	Local Television represents approximately 7% of the total TV share
24. Establishing Partnership in BEEP in Gracanica	Gracanica Municipality	Municipality Website	1/21/2011	Serbian	Average number of clicks on News Agency website is approximately 14,000; no exact figures for Municipality Website
25. Customs Valuation Training in Mitrovica	Radio Ylberi	Local Radio	1/25/2011-1/27/2011	Albanian	No data available
26. Roundtable on Establishing Partnerships in BEEP in Gjakova	Gjakova Municipality	Municipality Website	1/26/2011	Albanian	Average number of clicks on News Agency website is approximately 14,000; no exact figures available for Municipality Website
27. Roundtable on Establishing Partnerships in BEEP in Gjakova	Kosova Live	Internet News Agency	1/26/2011	Albanian	Average number of clicks on News Agency website is approximately 14,000; no exact figures available for Kosova Live
28. Roundtable on Establishing	RTK	National Television	1/26/2011	Albanian	RTK represents approximately 28% of

Partnerships in BEEP in Gjakova					the total TV share
29. Roundtable on Establishing Partnerships in BEEP in Gjakova	TV Syri	Local Television	1/26/2011	Albanian	Local Television represents approximately 7% of the total TV share
30. Roundtable on Establishing Partnerships in BEEP in Gjakova	Radio Gjakova	Local Radio	1/26/2011	Albanian	Radio Gjakova represents approximately 2% of the total Radio share
31. Roundtable on Establishing Partnerships in BEEP in Peja	Zeri Newspaper	Daily Newspaper	1/27/2011	Albanian	Zeri Newspaper represents approximately 3% of the total Newspaper share
32. Roundtable on Establishing Partnerships in BEEP in Peja	Radio Dukagjini	Local Radio	1/27/2011	Albanian	Radio Dukagjini represents approximately 16% of the total Radio share
33. Interview of Component One Lead	Radio KIM Website	Local Radio Website	3/18/2011	Serbian	No data available
34. Interview of Component One Lead	Radio KIM	Local Radio	3/20/2011	Serbian	Radio KIM represents approximately 11% of the total Radio share
35. Component Two WTO Membership Presentation at UBT University	UBT University	University	3/31/2011	Albanian	Average number of clicks on News Agency website is approximately 14,000; no exact figures for Municipality website available
36. Component Three Workshop on Enhancing Credit Information and Credit Registry	RTK	National Television	6/13/2011	Albanian	RTK represents approximately 28% of the total TV share
37. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Radio Rinia	Local Radio	7/12/2011	Albanian	Radio Rinia represents approximately 1% of the total Radio share
38. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Yili Info	Internet News Agency	7/12/2011	Albanian	Average number of clicks on News Agency websites is approximately 14,000; no exact figures available for Yili Ingo
39. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	RTV 21 Online	National Television Website	7/12/2011	Albanian	RTV 21 represents approximately 25% of the total TV share
40. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Telegrafi	Internet News Agency	7/12/2011	Albanian	Average number of clicks on Telegrafi News Agency website is approximately 14,000
41. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Infoglob	Internet News Agency	7/12/2011	Albanian	Average number of clicks on News Agency website is approximately 14,000; no exact figured available for Infoglob
42. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Ekonomia KS	Internet News Agency	7/12/2011	Albanian	Average number of clicks on News Agency website is approximately 14,000; no exact figured available for

43. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Hani i Elezit Municipality	Municipality Website	7/12/2011	Albanian	Ekonomia KS Average number of clicks on News Agency website is approximately 14,000; no exact figured available for Hani i Elizit
44. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	KTV Online	National Television Website	7/12/2011	Albanian	KTV represents approximately 25% of the total TV share
45. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Koha Ditore Newspaper	Daily Newspaper	7/13/2011	Albanian	Koha Ditore Newspaper represents approximately 18% of the total Newspaper share
46. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Kosovo Sot Newspaper	Daily Newspaper	7/13/2011	Albanian	Kosovo Sot Newspaper represents approximately 15% of the total Newspaper share
47. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Epoka e Re Newspaper	Daily Newspaper	7/13/2011	Albanian	Epoka e Re Newspaper represents approximately 2% of the total Newspaper share
48. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Infopress Newspaper	Daily Newspaper	7/13/2011	Albanian	Infopress Newspaper represents approximately 2% of the total Newspaper share
49. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Lajm Newspaper	Daily Newspaper	7/13/2011	Albanian	Lajm Newspaper represents approximately 3% of the total Newspaper share
50. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Kosova Sot Newspaper	Daily Newspaper	7/14/2011	Albanian	Kosova Sot Newspaper represents approximately 15% of total Newspaper share
51. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Radio Rinia	Local Radio	15.07.2011	Albanian	Radio Rinia represents 1. 21% out of 5% total Radio share (approx. audience 20,000)
52. Municipal Competitiveness Index (MCI) Diagnostics Presentation in the municipality of Viti	Vitia Municipality Web	Municipality Website	04.10.2011	Albanian	No exact data on the number of clicks is available.
53. Municipal Competitiveness Index (MCI) Diagnostics Presentation in the municipality of Prizren	Koha Ditore Newspaper	Daily Newspaper	12.10.2011	Albanian	Koha Ditore Newspaper represents 18.19% out of 7% total Newspapers share (approx. audience 49,280)
54. Municipal Competitiveness Index (MCI) Diagnostics Presentation in the municipality of Rahovec	Rahovec Municipality Web	Municipality Website	14.10.2011	Albanian	No exact data on the number of clicks is available.
55. USAID BEEP and Fulbright Researcher Ally to Facilitate Comprehensive Permissive System Reform in Kosovo	American Embassy Facebook Page	American Embassy in Kosovo	26.10.2011	English	American Embassy Facebook Page has 14, 163 users (likes)
56. Municipal Competitiveness Index (MCI) Diagnostics Presentation in	Kosovo Info	Internet News Agency	27.10.2011	Albanian	Average number of clicks on News Agency website is 14,000; there are

the municipality of Prishtina						no exact figures for Kosovo Info
57. Municipal Competitiveness Index (MCI) Diagnostics Presentation in the municipality of Prishtina	Koha Ditore Newspaper	Daily Newspaper	27.10.2011	Albanian		Koha Ditore Newspaper represents 18.19% out of 7% total Newspapers share (approx. audience 49,280)
58. Municipal Competitiveness Index (MCI) Diagnostics Presentation in the municipality of Prishtina	Zeri Newspaper	Daily Newspaper	27.10.2011	Albanian		Zeri Newspaper represents 3.59% out of 7% total Newspapers share (approx. audience 49,280)
59. Municipal Competitiveness Index (MCI) Diagnostics Presentation and meeting with businesses in the municipality of Viti	Vitia Municipality Web	Municipality Website	11.11.2011	Albanian		No exact data on the number of clicks is available.
60. Interview of Component I Lead	KTV	National Television	15.11.2011	Albanian		KTV represents 25.75% out of 86% total TV share (approx. audience 442,900)
61. USAID and CBK signing of the MoU	Kosova Sot Newspaper	Daily Newspaper	16.11.2011	Albanian		Kosova Sot Newspaper represents 14.82% out of 7% total Newspapers share (approx. audience 49,280)
62. Municipal Competitiveness Index (MCI) Diagnostics Presentation and meeting with businesses in the municipality of Prishtina	Zeri Newspaper	Daily Newspaper	15.12.2011	Albanian		Zeri Newspaper represents 3.59% out of 7% total Newspapers share (approx. audience 49,280)
63. Municipal Competitiveness Index (MCI) Diagnostics Presentation and meeting with businesses in the municipality of Prishtina	Kosova Sot Newspaper	Daily Newspaper	15.12.2011	Albanian		Kosova Sot Newspaper represents 14.82% out of 7% total Newspapers share (approx. audience 49,280)
64. Introducing digital public procurement system (e-procurement)	Zeri Newspaper	Daily Newspaper	26.01.2012	Albanian		Zeri Newspaper represents 3.59% out of 7% total Newspapers share (approx. audience 49,280)
65. Introducing digital public procurement system (e-procurement)	Koha Ditore Newspaper	Daily Newspaper	26.01.2012	Albanian		Koha Ditore Newspaper represents 18.19% out of 7% total Newspapers share (approx. audience 49,280)
66. Viti Municipality improves the business environment	Bota Sot Newspaper	Daily Newspaper	27.04.2012	Albanian		Bota Sot Newspaper represents 4.12% out of 7% total Newspapers share (approx. audience 49,280)
67. Municipal Competitiveness Index 2012 - "Morning News Guest"	RTK	National Television	26.06.2012	Albanian, Serbian, Bosnian, Turkish		RTK represents 28% out of 86% total TV share (approx. audience 442,900)
68. Municipal Competitiveness Index (MCI) Launch Event and Awards Presentation	Radio Rinia	Local Radio	15.07.2011	Albanian		Radio Rinia represents 1.21% out of 5% total Radio share (approx. audience 20,000)

C. NUMBER OF MUNICIPALITIES RECEIVING BEEP ASSISTANCE WITH REGULATORY/ADMINISTRATIVE SIMPLIFICATION

As of July 27, 2012 and with implementation of the Municipal Partnership Program, BEEP has Municipal Coordinators based in all thirty-seven (37) municipalities:

Core municipalities:

- | | |
|-------------|-------------|
| • Prishtina | • Peja |
| • Gjakova | • Strpce |
| • Ferizaj | • Gracanica |
| • Mitrovice | • Prizren |

Additional Municipalities:

- | | |
|-------------|-----------------|
| • Gjilan | • Junik |
| • Ranilug | • Obiliq |
| • Kamenice | • Novoberde |
| • Vushtrri | • Hani i Elezit |
| • Skenderaj | • Kacanik |
| • Podujeve | • Lipjan |
| • Shtime | • Viti |
| • Malisheve | • Suhareka |
| • Rahovec | • Decan |
| • Klina | • Fushe Kosove |
| • Leposavic | • Zubin Potok |
| • Zvecan | • Drenas |
| • Partes | • Klokot |
| • Dragash | • Mamusha |
| • Istog | |

D. NUMBER OF CUSTOMS HARMONIZATION PROCEDURES IMPLEMENTED IN ACCORDANCE WITH INTERNATIONALLY ACCEPTED STANDARDS AS A RESULT OF BEEP ASSISTANCE

Improved process for goods declaration. In order to improve regional customs harmonization, USAID|BEEP recommended that Kosovo enter regional agreements that smooth the process for declaration of goods. In 2011, based on our recommendations, Kosovo Customs signed agreements with Albania and Macedonia to obtain automated reports when goods enter the territories of those countries. This result supports the World Customs Organization (WCO) International Convention on the Simplification and Harmonization of Customs Procedures (a.k.a. Kyoto Convention) under “Goods Declaration” at *Standard 3.11* which states, “For automated Customs clearance processes, the format of

the electronically lodged Goods declaration shall be based on international standards for electronic information exchange as prescribed in the Customs Co-operation Council Recommendations on information technology.” Recommendations on information technology begin at Chapter 7 of the WCO convention on “Application of Information Technology” (see below), and those recommendations were followed.

Also within Standards 3.11, 7.1, and 7.4 of the WCO Convention mentioned above is the use of Radio Frequency Identification (RFID) devices at Customs. USAID|BEEP recommended that Customs utilize RFID devices to simplify and streamline goods declaration procedures. These devices are used for Customs control on transit containers and reduce the need to physically inspect goods.

Improved process for application of Information Technology. The abovementioned agreements and use of RFID devices provide for improved electronic commerce methods and harmonize Customs procedures regionally. These also serve as process improvements for application of information technology.

Improved process for customs valuation. As a member of the Central European Free Trade Agreement (CEFTA), Kosovo is required to follow certain Customs valuation methodologies. However, USAID|BEEP identified that in practice these methods were confused and misapplied. In 2011, a BEEP STTA delivered Customs Valuation training to over 170 Customs representatives. The scope of these trainings included discussions on varying Customs Valuations Methods, including the Transaction Value Method (discussed in the World Trade Organization Valuation Agreement); the Identical Goods; Similar Goods; Deductive Value; Computed Value; and Residual (or Fall Back) Methods. These methods are required by the CEFTA, which at Article 32 states, “The provisions of this Chapter shall determine the customs value for the purposes of applying the Customs Tariff of Kosovo and non-tariff measures laid down by Kosovo provisions governing specific fields relating to trade in goods.” This training helped build the capacities of Kosovo Customs to harmonize customs valuation methods.

Reduced number of documents required for goods declaration. Supporting efforts to reduce barriers to trade, rationalize the regulatory system, and harmonize customs procedures with international best practice, we made recommendations to Kosovo Customs to reduce the number of documents required for import and export to only those necessary to facilitate proper control of imported and exported goods. Embracing these recommendations, the Director General of Customs issued an internal Administrative Instruction reducing the number of documents required for export from 8 to 2 and for import from 8 to 3.

Pursuant to the Convention on the Simplification and Harmonization of Customs Procedures, Standard 3.16 on Documents support Goods Declaration, “In support of the Goods declaration the Customs shall require only those documents necessary to permit control of operation and to ensure that all requirements relating to application of the Customs law have been complied with.” The reform falls squarely within this Standard envisioned by the Convention.

E. NUMBER OF LEGAL, REGULATORY, OR INSTITUTIONAL ACTIONS (NOT CAPTURED IN D) TAKEN TO IMPROVE IMPLEMENTATION OR COMPLIANCE WITH INTERNATIONAL TRADE AND INVESTMENT AGREEMENTS DUE TO SUPPORT FROM BEEP

Action	Type
Adoption of Law on Safeguard Measures on Imports	Legal
Adoption of Law Amending and Supplemental the Customs and Excise Code of Kosovo	Legal
Adoption of Law on External Trade	Legal

Kosovo undertook several important legal actions in Year Two with our assistance to facilitate trade and improve compliance with international trade agreements. First, adoption of the Law on Safeguard Measures on Imports⁴⁴ represents the legal basis for invoking one of three internationally recognized trade contingency measures by the World Trade Organization. The GoK must still adopt implementing regulations and standard operating procedures to legally invoke these measures. Next, the recently adopted amendment to the Law on the Kosovo Customs Code⁴⁵ is based on many important provisions contained in the European Union Model Customs Code of 2008 for the facilitation of trade in Kosovo. Finally, adoption of the project-sponsored Law on External Trade adopts several WTO and EU principles and practices for transparency and international rules related to Kosovo’s external trade.

⁴⁴ Law No. 04/L-047 on Safeguard Measures on Imports

⁴⁵ Law No. 04/L-099 on Amending and Supplementing the Customs and Excise Code in Kosovo No. 03/L-109

F. PROGRESS ON USAID EG POLICY/REGULATORY INDEX

Progress on the policy/regulatory index illustrates milestones of progress towards passage and implementation of key policies and regulations that will positively affect the enabling environment growth in Kosovo⁴⁶. The Kosovo Parliament adopted several Doing Business- and non-Doing Business-related laws that have had, and are expected to have dramatic economic impacts and significantly improve Doing Business performance.

WORKSHEET: THE POLICY/ REGULATORY REFORM INDEX

Key Law	Issues are identified as important to address by the target institution 1 point	Policy or Law is drafted 1 point	Policy or Law is vetted with the public and/or affected stakeholders 1 point	Policy or Law is approved/ adopted 1 point	Policy or Law is applied (at least one example of application can be demonstrated) 1 point	Policy or Law is applied on a regular basis (law has become institutionalized) 1 point	Points	Comments
Law No. 04/L-0006 on Amending and Supplementing of the Law No. 02/L-123 on Business Organizations	X	X	X	X	X	X	6	
Law No. 04/L-005 on Amending and Supplementing the Law No. 2004/18 on Internal Trade	X	X	X	X	X	X	6	
Law No. 04/L-002 on Amending and Supplementing the Law No. 03/L-010 on Notary	X	X	X	X	X	X	6	
Law No. 04/L-014 on Accounting, Financial Reporting and Audit	X	X	X	X	X	X	6	
Law No. 04/L-009 on Amending and Supplementing the Law No. 2002/5 on the Establishment of the	X	X	X	X	X		5	

⁴⁶ See USAID EG PMP at Intermediate Result No. 1.1.2

Immovable Property Rights Register								
Law No. 04/L-013 on Cadastre	X	X	X	X	X		5	
Law No. 04/L-012 on Fire Protection	X	X	X	X	X	X	6	
Law No. 04/L-047 on Safeguard Measures on Imports	X	X	X	X			4	
Law No. 04/L-048 on External Trade	X	X	X	X	X		5	
Law No. 04/L-009 on Amending and Supplementing Customs and Excise Code of Kosovo No. 03/L-109	X	X	X	X			4	
Law No. 04/L-100 on Amending and Supplementing Law No. 03/L-204 on Tax of Immovable Property	X	X	X	X			4	
Law No. 04/L-110 on Construction	X	X	X	X			4	
Total Points	12	12	12	12	8	4	61	

G. PERCENT INCREASE IN VALUES OF LOANS

Year	Quarter	Month	Outstanding amounts (millions of EUR)	G. % Loan Value Increase ⁴⁷
2009	Q4 - 2009	Dec	1,289.00	
2010	Q1 - 2010	Jan	1,292.70	
		Feb	1,297.50	
		Mar	1,336.20	3.66%
	Q2 - 2010	Apr	1,359.90	
		May	1,380.80	
		Jun	1,404.60	5.12%
	Q3 - 2010	Jul	1,413.10	
		Aug	1,406.80	
		Sep	1,418.60	1.00%
	Q4 - 2010	Oct	1,428.10	
		Nov	1,452.60	
		Dec	1,458.70	2.83%
2011	Q1 - 2011	Jan	1,460.20	
		Feb	1,484.00	
		Mar	1,513.20	3.73%
	Q2 - 2011	Apr	1,541.04	
		May	1,599.90	
		Jun	1,624.90	7.38%
	Q3 - 2011	Jul	1,629.10	
		Aug	1,630.90	
		Sep	1,656.30	1.94%
	Q4 - 2011	Oct	1,678.80	
		Nov	1,686.20	

⁴⁷ Percentage increase in loan value is calculated by comparing outstanding amounts at the end of the quarter to outstanding amount in the previous quarter.

2012	Q1 - 2012	Dec	1,698.10	2.52%
		Jan	1,683.10	
		Feb	1,692.20	
	Q2 - 2012	Mar	1,717.10	1.12%
		Apr	1,740.8	
		May	1,755.3	
		Jun	1,776.3	3.44%

Source: http://www.bqk-kos.org/repository/docs/time_series/07%20Other%20Depository%20Corporations%20Balance%20Sheet.xls

H. NUMBER OF SUCCESSFUL CREDIT TRANSACTIONS

	4 th Quarter 2010			1 st Quarter 2011			2 nd Quarter 2011			3 rd Quarter 2011			4 th Quarter 2011		
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Successful Credit Transactions ⁴⁸	15,183	14,545	14,788	11,896	13,934	19,105	18,538	19,613	17,836	17,840	15,497	17,291	18,799	18,709	20,219
	1 st Quarter 2012			2 nd Quarter 2012											
	Jan	Feb	Mar	Apr	May	Jun									
Successful Credit Transactions	13,000	13,468	19,136	18,851	17,130	16,258									

Source: CRK Database Extract

I. AVERAGE INTEREST RATE SPREAD BETWEEN RATE PAID ON DEPOSITS AND INTEREST RATE EARNED FROM LOANS⁴⁹

	2009	2010												2011											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Deposit Rate	4.0	4.1	3.8	3.6	3.5	3.4	3.7	3.8	3.9	3.7	3.6	3.8	3.4	3.4	3.3	3.4	3.5	3.4	3.5	3.6	3.6	3.5	3.3	3.8	3.6
Loan Rate	14.1	13.4	14.6	14.3	15.3	14.6	14	14.9	15.2	15.5	15.1	14.3	14.3	15.4	14.4	14.2	14.4	13.2	14.1	14.3	14.0	14.2	13.9	13.6	13.9

⁴⁸ Successful credit transactions are defined as all new credit facilities per month.

⁴⁹ Average interest rate spread is an indicator of gross profitability in the financial sector.

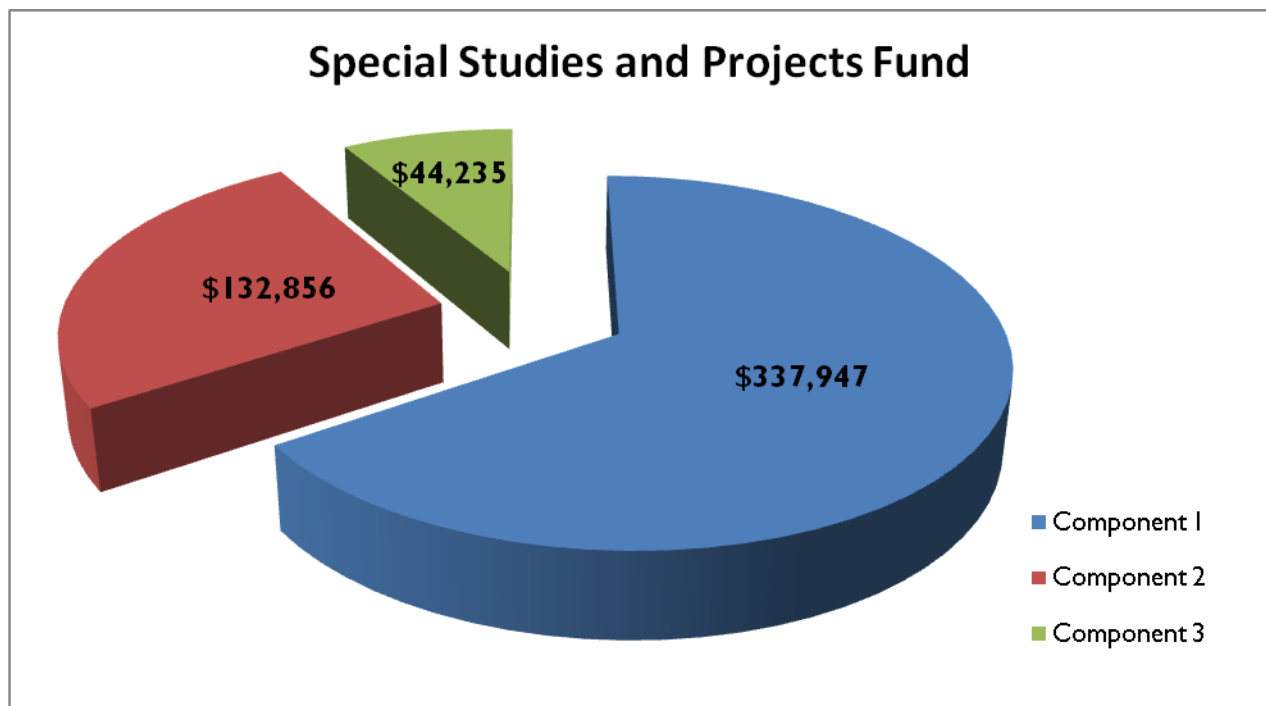
Interest Rate Spread	10.1	9.3	10.9	10.7	11.7	11.2	10.2	11.1	11.3	11.8	11.5	10.6	10.9	12	11.1	10.8	10.9	9.8	10.6	10.7	10.4	10.7	10.7	9.9	10.2
	2012																								
	Jan	Feb	Mar	Apr	May	Jun																			
Deposit Rate	3.1	3.4	3.3	3.6	3.5	3.6																			
Loan Rate	14.5	13.3	13.8	13.5	13.4	13.5																			
Interest Rate Spread	11.4	9.9	10.5	9.8	9.9	9.9																			

Source:http://www.bqk-kos.org/repository/docs/time_series/13%20ODC%20effective%20interest%20rates.xls

ANNEX 3: SPECIAL STUDIES AND PROJECTS FUND

In Year Two, our project spent \$515,038 in special funds consisting of grants and subcontracts and issued five (5) new grants and six (6) new subcontracts. Many of these activities were crucial to achievement of project goals, including work on the CRK upgrade, the MCI 2012 and media campaign, and public outreach on Doing Business reforms.

Special Funds New Grants and Subcontracts	
Grants	Subcontracts
R&B Consulting	ASSECO SEE, LLC
American Chamber of Commerce	Global Consulting and Development Associates
American University of Kosovo	UBO Consulting
Society of Certified Auditors and Accountants of Kosovo	CRAFT Communications
Center for Policy and Advocacy	Koperativa (2 subcontracts)



GRANTS

R&B Consulting was responsible for producing the local television show INDEKSI, aimed to promote discussion around business environment issues and reform. Due to the grantee's closing down, the show was no longer aired and the grant was terminated.

We awarded the American Chamber of Commerce (AmCham) a follow-on grant to monitor implementation of their Kosovo Business Agenda (KBA). AmCham developed the KBA through an earlier grant that identified specific business environment issues through discussions with local businesses, and provided strategic recommendations to remedy those issues.

In Year Two, we awarded a grant to the Society of Certified Auditors and Accountants of Kosovo (SCAAK) to improve municipal public financial management through strategic training at the local level. SCAAK obtained an agreement with the Ministry of Finance to strongly encourage participation in training events. This grant activity is ongoing and will continue into our third year.

The Center for Policy and Advocacy (CPA) proposed to provide ongoing technical support to the Legal Office of the Office of the Prime Minister to improve the legal and policy environment for business development, and more specifically to support research and legislative drafting through the following activities:

- Development of new normative acts and amendments to support the business environment;
- Organization of public hearings with business associations and other stakeholders to get their comments, inputs, and recommendations on normative acts that are in drafting process;
- Conduct research and provide recommendations on best practices for legislation and other documents that need to be drafted by the Legal Office;
- Participation in working groups to inform decision-making on new laws or policies and amendments to improve the business environment; and
- Provide other technical assistance and on-the-job training to Legal Office of OPM staff on policy drafting and report writing.

To promote academic research on the political economy of Kosovo's economic development and build the capacity of academic institutions to deepen professional linkages between international scholars and Kosovo researches and policy makers, USAID|BEEP awarded a grant to the American University of Kosovo (AUK). Under this grant, AUK will advertise a call for papers and solicit contributions for an academic conference to be held later in 2012. Following the conference, AUK will publish the proceedings in Albanian and Serbian for policy discussion for locally-applied policy research.

SUBCONTRACTS

Asseco SEE, LLC is subcontracted to provide the Credit Registry software upgrade. They have already successfully met the terms of agreement for our project's funding portion under the memorandum of understanding between USAID and the CBK. Our credit component, the CBK, and the subcontractor are proceeding with internal testing and report generation and are on track to finalize the upgrade by August 31, 2012.

USAID|BEEP finalized a subcontract with Global Consulting and Development Associates (GCDA) this project year to provide the project with seventeen (17) new Municipal Coordinators. This allows us to improve effectiveness in the municipalities through more personalized service at the local level.

We award UBO Consulting a subcontract to complete the MCI 2012, increasing survey respondents by 50% this year. This survey was basis for data analysis and report generation for the final MCI 2012 report.

Under a project subcontract, CRAFT Communications designed and printed the 10,000 CRK brochures distributed to promote the importance of credit reporting and improve participation in the credit information system.

Koperativa produced two important media campaigns for our project in Year Two. Under these subcontracts, Koperativa designed the concepts, conducted media buying, and produced the advertisements for both our Doing Business media campaign with the MTI and the MCI 2012 campaign. Both were great successes, nationally recognized by businesses and citizens.

ANNEX 4: STRUCTURAL CHANGES FROM DB 2011 TO DB 2012

- *Getting Credit Indicator – Strength of legal rights index.* Within the “Getting Credit” indicator, the Strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders⁵⁰. The index is scored from 0 to 10 based on yes or no answers to each of the questions (yes =1, no = 0). In the previous year’s methodology, a score of 1 was awarded when secured creditors were not subject to an automatic stay or moratorium on enforcement procedures when a debtor entered a court-supervised reorganization procedure. The DB 2012 methodology was updated to also award a 1 if the law provides secured creditors with ground for relief from an automatic stay or moratorium.
- *Paying Taxes.* One of the “Paying Taxes” indicator measures is the total tax rate. The DB 2012 methodology now reflects a threshold level for total tax rate for which all economies below that tax rate receive the same ranking. This was meant to avoid awarding economies with unusually low tax rates and instead focus on the relative burden to businesses.
- *Getting Electricity indicator.* Because the WB added the “Getting Electricity” indicator for the 2012 report, all procedures, time, and costs associated with obtaining a permanent electricity connection and supply were removed from those associated with the “Dealing with Construction Permits” indicator.

STRUCTURAL CHANGES FROM DB 2011 TO DB 2012		
DB 2011 Structure	DB 2012 Structure	Change
Starting a Business	Starting a Business	No Change
Procedures (number)	Procedures (number)	
Time (days)	Time (days)	
Cost (% of income per capita)	Cost (% of income per capita)	
Min. capital (% of income per capita)	Paid-in-Min. Capital (% of income per capita)	
Dealing with Construction Permits	Dealing with Construction Permits	Because the DB 2012 report

⁵⁰ See *Doing Business 2012* methodology for “Getting Credit” Indicator: <http://www.doingbusiness.org/methodology/getting-credit>





		now includes the “Getting Electricity” indicator, procedures, time, and costs related to obtaining an electricity connection were removed from the “Dealing with Construction Permits” indicator.
Procedures (number)	Procedures (number)	
Time (days)	Time (days)	
Cost (% of income per capita)	Cost (% of income per capita)	
Registering Property	Registering Property	No Change
Procedures (number)	Procedures (number)	
Time (days)	Time (days)	
Cost (% of property value)	Cost (% of property value)	
Getting Credit	Getting Credit	Change to Strength of legal rights index
Strength of legal rights index (0-10)	Strength of legal rights index (0-10)	<p>Strength of legal rights index was amended in the DB 2012 report to recognize additional protections of secured creditors and borrowers. Previously the highest score of 1 was assigned if secured creditors were not subject to an automatic stay or moratorium on enforcement procedures when a debtor entered a court-supervised reorganization procedure. Now the highest score of 1 is also assigned if the law provides secured creditors with grounds for relief from an automatic stay or moratorium.</p> <p>Change Illustrated: <i>DB 2011 Report Question #9:</i> During reorganization, are secured creditors’ claims exempt from an automatic stay on enforcement? <i>DB 2012 Report Reformulated Question #9:</i> Are secured creditors either not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure, or the law provides secured creditors with grounds for relief from an automatic stay?</p>
Depth of credit information index (0-6)	Depth of credit information index (0-6)	
Public registry coverage (% of adults)	Public registry coverage (% of adults)	
Private bureau coverage (% of adults)	Private bureau coverage (% of adults)	
Protecting Investors	Protecting Investors	No Change

Extent of disclosure index (0-10)	Extent of disclosure index (0-10)	
Extent of director liability (0-10)	Extent of director liability (0-10)	
Ease of shareholder suits index (0-10)	Ease of shareholder suits index (0-10)	
Strength of investor protection index (0-10)	Strength of investor protection index (0-10)	
Paying Taxes	Paying Taxes	<p>A threshold has been introduced for the total tax rate for the purpose of calculating the ranking on the ease of paying taxes. All economies with a total tax rate below the threshold (which will be calculated and adjusted on a yearly basis) will now receive the same ranking on the total tax rate sub-indicator. The threshold is not based on any underlying theory. Instead, it is meant to emphasize the purpose of the indicator: to highlight economies where the tax burden on business is high relative to the tax burden in other economies. Giving the same ranking to all economies whose total tax rate is below the threshold avoids awarding economies in the scoring for having an unusually low total tax rate, often for reasons unrelated to government policies toward enterprises. For example, economies that are very small or that are rich in natural resources do not need to levy broad-based taxes.</p> <p>3 sub-indicator measures were eliminated; Profit tax percentage, labor tax and contribution percentage, and other taxes percentage. This leaves the number of payments per year, hours of time per year, and total tax rate as the three equally weighted sub-indicator measures.</p>
Payments (number per year)	Payments (number per year)	
Time (hours per year)	Time (hours per year)	
Profit tax (%)	Profit tax (%)	
Labor tax and contributions (%)	Labor tax and contributions (%)	
Other taxes (%)	Other taxes (%)	
Total tax rate (% profit)	Total tax rate (% of profit)	
Trading Across Borders	Trading Across Borders	No Change
Documents to export (number)	Documents to export (number)	
Time to export (days)	Time to export (days)	
Cost to export (US\$ per container)	Cost to export (US\$ per container)	
Documents to import (number)	Documents to import (number)	





Time to import (days)	Time to import (days)	
Cost to import (\$US per container)	Cost to import (\$US per container)	
Enforcing Contracts	Enforcing Contracts	No Change
Procedures (number)	Procedures (number)	
Time (days)	Time (days)	
Cost (% of claim)	Cost (% of claim)	
Closing a Business	Resolving Insolvency	Change in title only; from "Closing a Business" to "Resolving Insolvency"
Recovery rate (cents on the dollar)	Recovery rate (cents on the dollar)	
Time (years)	Time (years)	
Cost (% of estate)	Cost (% of estate)	
	Getting Electricity	Getting Electricity indicator added to DB 2012 report
	Procedures (number)	
	Time (days)	
	Cost (% of income per capita)	



ANNEX 5: DB 2011 RESULTS PUBLISHED IN 2010 VERSUS DB 2011 RESULTS PUBLISHED IN 2011

DB RESULTS PUBLISHED IN 2010 VS. DB 2011 UPDATED IN 2011

DB 2011 Results (2010)		DB 2011 Results (2011)		Change	
Starting a Business		Starting a Business			
Procedures (number)	10	Procedures (number)	10	-	
Time (days)	58	Time (days)	58	-	
Cost (% of income per capita)	28.7	Cost (% of income per capita)	28.7	-	
Min. capital (% of income per capita)	112.4	Min. capital (% of income per capita)	112.4	-	
Rank	163	Rank	165	 2	
Dealing with Construction Permits		Dealing with Construction Permits			
Procedures (number)	21	Procedures (number)	17	 4	Procedures eliminated in this process are attributed directly to the addition of the “Getting Electricity” indicator. All four procedures below relate to obtaining a permanent electrical connection and supply and cannot be attributed to business environment reform. Procedures eliminated: <i>Procedure #13.</i> Apply for electricity at KEK (Korporata Energjetike e Kosovës) <i>Procedure #14.</i> Receive an inspection from KEK <i>Procedure #15.</i> Sign energy agreement and pay associated fees <i>Procedure #16.</i> Inspection by KEK of purchased equipment and connection works, external connection and installation of the meter
Time (days)	320	Time (days)	301	 19	Time improvements are related directly to the elimination of the four procedures mentioned above.
Cost (% of income per capita)	856.5	Cost (% of income per capita)	833.9	 2.6%	Cost improvements are related both to

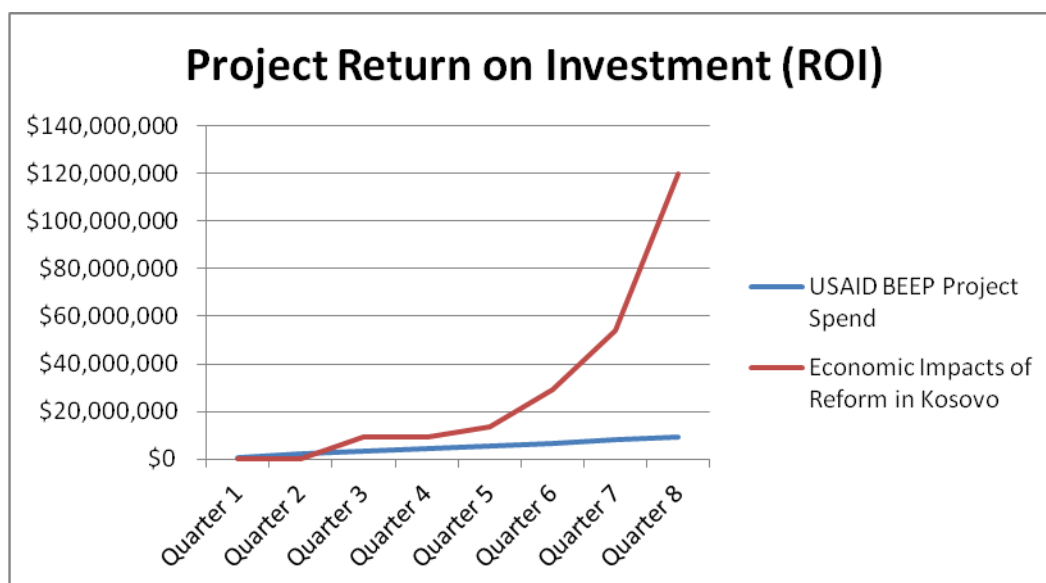
					the elimination of the four procedures above and the increase in GNI per capita.
Rank	173	Rank	169	↑ 4	
Registering Property		Registering Property			
Procedures (number)	8	Procedures (number)	8	-	
Time (days)	33	Time (days)	33	-	
Cost (% of property value)	.6	Cost (% of property value)	.6	-	
Rank	65	Rank	66	↓ 1	
Getting Credit		Getting Credit			
Strength of legal rights index (0-10)		Strength of legal rights index (0-10)		-	During the DB 2011 report validation process, we discovered an error in information reported in the Strength of legal rights index. The 2011 report recorded a “No” for question #3 which asks “Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?” However, in Kosovo a specific or general description of collateral is sufficient. We submitted this clarification to the WBDB Team in Washington, D.C. but unfortunately the clarifying information is not reflected here.
Depth of credit information index (0-6)		Depth of credit information index (0-6)		↑ 1	During the DB 2011 report validation process, our project discovered an error in information reported for the Depth of credit information index. The 2011 report recorded a “No” for question #4 which asks “Are more than 2 years of historical credit information distributed?” However, the public credit registry in Kosovo does in fact distribute historical credit information spanning more than 2 years. We sent the clarifying information

					to the WBDB Team in Washington, D.C. and it is now reflected in the updated information here.
Public registry coverage (% of adults)	16.9	Public registry coverage (% of adults)	16.9	-	
Private bureau coverage (% of adults)	0	Private bureau coverage (% of adults)	0	-	
Rank	32	Rank	21	 11	The large improvement in Kosovo's overall "Getting Credit" ranking is attributed to the improvement in the Depth of credit information index described above.
Protecting Investors		Protecting Investors			
Extent of disclosure index (0-10)	3	Extent of disclosure index (0-10)	3	-	
Extent of director liability (0-10)	2	Extent of director liability (0-10)	2	-	
Ease of shareholder suits index (0-10)	3	Ease of shareholder suits index (0-10)	3	-	
Strength of investor protection index (0-10)	2.7	Strength of investor protection index (0-10)	2.7	-	
Rank	173	Rank	172	 1	
Paying Taxes		Paying Taxes			
Payments (number per year)	33	Payments (number per year)	33	-	
Time (hours per year)	163	Time (hours per year)	163	-	
Profit tax (%)	10.2	Profit tax (%)	-	-	Not updated
Labor tax and contributions (%)	5.6	Labor tax and contributions (%)	-	-	Not updated
Other taxes (%)	0.6	Other taxes (%)	-	-	Not updated
Total tax rate (% profit)	16.5	Total tax rate (% profit)	16.5	-	
Rank	41	Rank	45	 4	
Trading Across Borders		Trading Across Borders			
Documents to export (number)	8	Documents to export (number)	8	-	
Time to export (days)	17	Time to export (days)	17	-	
Cost to export (US\$ per container)	2230	Cost to export (US\$ per container)	2230	-	
Documents to import (number)	8	Documents to import (number)	8	-	
Time to import (days)	16	Time to import (days)	16	-	
Cost to import (\$US per container)	2280	Cost to import (\$US per container)	2280	-	
Rank	130	Rank	129	 1	

Enforcing Contracts		Enforcing Contracts			
Procedures (number)	53	Procedures (number)	53	-	
Time (days)	420	Time (days)	420	-	
Cost (% of claim)	61.2	Cost (% of claim)	61.2	-	
Rank	155	Rank	157	 2	
Closing a Business		Resolving Insolvency		After changing the title in the DB 2012 report from “Closing a Business” to “Resolving Insolvency”, the World Bank team retroactively assigned the latter title for the DB 2011 updated report.	
Recovery rate (cents on the dollar)	57.4	Recovery rate (cents on the dollar)	57.6	 .2	
Time (years)	2.0	Time (years)	2.0	-	
Cost (% of estate)	15	Cost (% of estate)	15	-	
Rank	31	Rank	31	-	
		Getting Electricity		The World Bank team, after adding the “Getting Electricity” indicator to the 2012 report, retroactively measured Kosovo’s performance in this indicator for the DB 2011 report.	
		Procedures (number)	7		
		Time (days)	60		
		Cost (% income per capita)	1036		
		Rank	124		

ANNEX 6: FINANCIAL REPORTING

As our project progresses and early reform activities continue to produce results, we will continue to impressive economic impacts of reform. As shown in the table below and as expected, impacts were low during the beginning of the project as reform activities were just beginning. However, the slope of the curve nearing the completion of Quarter 8 increases dramatically, indicating the realization of early reform activity impacts.



As the project moves forward and continues to assist realization of economic impacts of reform, each \$USD spent through USAID|BEEP assistance yields greater return on investment. The table below shows this progression.

\$USD of Economic Impact of Reform per \$USD on BEEP Project Spend							
Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8
0.00	0.00	2.85	2.06	2.40	4.40	6.67	12.66

BEEP Quarterly Financial Report May 2012-July 2012 and Annual Accruals

Total obligated amount remaining: \$2,888,641

	Value Invoiced in Year 2, Q4 (May 2012 - July 2012**)	Total Invoiced through July 2012**	Contract Budget	Contract Budget Remaining
Long Term (US)	\$197,472	\$1,247,652	\$1,767,756	\$520,104
Short Term (US)	\$56,146	\$280,741	\$210,085	-\$70,656
Long Term (TCN)	\$121,495	\$898,330	\$1,402,380	\$504,050
Short Term (TCN)	\$16,816	\$185,653	\$344,300	\$158,647
Short Term (Local)	\$16,823	\$43,213	\$51,903	\$8,690
Home Office (US)	\$41,238	\$117,994	\$166,978	\$48,984
Local LT Professionals	\$316,824	\$2,426,667	\$3,464,746	\$1,038,079
Salaries, Subcontractors	\$192,587	\$1,412,577	\$2,190,412	\$777,835
Total Work Days Ordered*	\$959,401	\$6,612,827	\$9,598,561	\$2,985,734
Local Support Salaries	\$33,919	\$224,467	\$214,645	-\$9,822
Fringe (Direct and Indirect)	\$38,510	\$282,291	\$579,133	\$296,842
Travel and Transportation	\$27,289	\$211,942	\$447,449	\$235,507
Allowances	\$92,999	\$588,892	\$936,291	\$347,399
Other Direct Costs	\$40,058	\$426,518	\$1,134,473	\$707,955
Equipment & Vehicles	\$8,846	\$230,262	\$291,478	\$61,216
Training	\$65,043	\$269,640	\$371,786	\$102,146
Grants	\$30,555	\$87,558	\$500,000	\$412,442
Subcontracts (non-local)	\$42,084	\$231,948	\$737,904	\$505,956
Special Studies and Projects Fund	\$201,307	\$662,845	\$1,000,000	\$337,155
Total Materials	\$580,610	\$3,216,363	\$6,213,159	\$2,996,796
General and Administrative	\$29,031	\$164,168	\$310,658	\$146,490
Total Invoice	\$1,569,042	\$9,993,359	\$16,122,378	\$6,129,019

*Total Workdays Ordered includes multiplier of 1.94

**July 2012 figures are estimated

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